

R E P O R T
OF
THE COMMITTEE ON COOPERATIVE
ADMINISTRATION



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INTRODUCTORY

It is now nearly six decades since the co-operative movement was introduced in India. During this period, the outlook of those connected with the movement and of the Government of the country has undergone several changes. This has especially been the case during the last twelve years. With the inauguration of the first of the series of Five Year Plans, Co-operation has come to occupy a positive role in the economy. It has been recognized as an instrument for serving the purposes and directives of the Plan in certain sectors of the national economy.

Appropriately, therefore, the Third Plan has envisaged a growing co-operative sector giving "to the social structure and the national economy, balance, direction and sense of values." The co-operative movement can achieve this objective, if it is healthy and strong. This has emphasized the need for strengthening co-operative administration in the country. Appreciating this need the Conference of State Ministers of Co-operation held at Lucknow in February 1963 decided to request Shri Vaikunth L. Mehta to prepare a report on measures necessary to strengthen the administration in charge of the Co-operative Department in various States. He was to associate such person or persons with the work as he might consider necessary. In pursuance of this decision, the Government of India, Ministry of Community Development and Co-operation, in their Notification No.F. 11-19/63-Coord. dated April 15, 1963 appointed a Committee consisting of the following :

- | | |
|--|-----------|
| 1. Shri Vaikunth L. Mehta | Chairman |
| 2. Shri R. Dasaratharama Reddy, M.L.A.
President, Andhra Pradesh State
Co-operative Bank. | Member |
| 3. Shri G.D. Goswami, Joint Secretary,
Ministry of Community Development
and Co-operation. | Member |
| 4. Shri P.D. Kasbekar, Chief Officer,
Agricultural Credit Department,
Reserve Bank of India. | Member |
| 5. Shri M.L. Batra, Chief Officer,
Rural Credit Section, State Bank of India. | Member |
| 6. Shri G.V. Ramamurthy, Assistant
Chief Officer, Agricultural Credit
Department, Reserve Bank of India. | Secretary |

Terms of Reference

2. Our terms of reference were :

- (a) to review the existing departmental set up in the various States and to suggest the broad lines for determining the strength of

- departmental staff at various levels, namely, at headquarters, divisional, district and lower levels;
- (b) to make recommendations regarding the special staff required to be provided at various levels to deal with special items of work, like co-operative farming, co-operative marketing, processing, industrial societies and other types of societies;
 - (c) to make recommendations regarding the criteria for determining the strength of the audit staff at various levels;
 - (d) to suggest criteria for fixing the strength of supervisors whether employed by Government, Co-operative unions or by financing banks as the case may be;
 - (e) to suggest measures necessary for ensuring adequate training to the staff at various levels and
 - (f) to suggest broadly procedures for recruitment at various levels with a view to securing continuity of policies and programmes.

Subsequently, in his letter dated August 22, 1963, addressed to the Chairman, the Union Minister for Community Development and Co-operation indicated that the question of creating cadres for co-operative institutions had been engaging the attention of the Ministry. The Committee was accordingly advised to study in a very general way the question of cadres for the increasing number of co-operative institutions which were coming up in different sectors of the economy and to give some broad guidance as to the practicability of creating such cadres, the levels at which they might be constituted and the manner of their constitution.

Work of the Committee

3. The Committee held its first meeting at Bombay on 3 May, 1963 when it drew up its questionnaire (Appendix I) for eliciting information and views of the State Governments and Union Territories on the various aspects of the co-operative departmental set-up. Copies of the questionnaire were also sent to the Registrars of Co-operative Societies who were requested by the Committee to collect as early as possible the required information. Replies were received from all the State Governments and the Union Territories of Delhi, Himachal Pradesh and Tripura. The views of State co-operative unions, State co-operative banks, the National Co-operative Union of India and of prominent officials and non-official co-operators were also invited on the various issues engaging the attention of the Committee. In Appendix II are given the names of those who favoured the Committee with their views.

The Committee held its second and third meetings at Poona on 26 June and 25 July 1963 when it considered the replies received from State Governments, State co-operative banks, State co-operative unions, officials and non-official co-operators. At its second meeting the Committee decided to ascertain the views of heads of the various development departments on issues covered by Part F of the questionnaire issued to State Governments, dealing with the inter-relations between the co-operative and other development departments. Associations of co-operative officers in some States asked for permission to place their views before the Committee. The Registrars of Co-operative Societies were requested to advise recognized associations, if any, in their States to furnish their views. Memoranda

were received by the Committee from associations in the States of Madhya Pradesh, Orissa, Uttar Pradesh and West Bengal.

On being advised to examine the question of creating cadres for co-operative institutions, we addressed letters on 6 September 1963 (Appendix III), inviting the views of Registrars of Co-operative Societies, State co-operative banks, State co-operative unions and State co-operative marketing societies. A list of those who sent their views on the subject is given in Appendix IV.

The Committee thereafter met thrice in Bombay between 10 and 12 October, between 22 and 25 October and finally on 30 October 1963, when we signed our report.

Tours

4. The Committee considered it desirable to visit States for collecting information and for recording evidence of both officials and non-officials. A programme of visits was accordingly drawn up for meeting representatives of States at different places. In addition, the Member-Secretary visited eight States to study the co-operative departmental set-up and held discussions with the Registrars and other senior officers of the co-operative departments on matters pertaining to co-operative administration. One of the members of the Committee, Shri P.D. Kasbekar was present during the visit to Andhra Pradesh.

The itinerary of the Committee is given hereunder :

<i>Place</i>	<i>Dates</i>	<i>States</i>
1. Bombay	27 July	Maharashtra
2. Hyderabad	9 August	Andhra Pradesh
3. Bangalore	10 & 11 August	Mysore and Kerala
4. Madras	12 August	Madras
5. Calcutta	26 & 27 August	Bihar, West Bengal & Assam
6. Bhubaneswar	28 August	Orissa
7. Jaipur	23 September	Rajasthan
8. New Delhi	24 to 26 September*	Uttar Pradesh, Punjab, Madhya Pradesh and the Union Territory of Delhi
9. Ahmedabad	9 October	Gujarat

*The representatives of the State of Jammu & Kashmir were invited to meet the Committee at New Delhi on 25 September. None of them was able to do so.

5. A list of officials and non-official co-operators who met us is given in Appendix V to the report. In response to our invitations, Prof. D.R. Gadgil, Shri J.C. Ryan and Shri D.A. Shah met us on different dates in Poona, Bangalore and Bombay respectively. The free and frank discussions that we had with the officials and non-official co-operators

were of immense value to us in enabling us to understand the problems confronted by the various States in the difficult task of co-operative administration.

6. We also had the advantage of having informal discussions with Shri M.R. Bhide, Secretary to the Government of India, Ministry of Community Development and Co-operation, Shri B. Venkatappiah, Chairman, State Bank of India and Prof. D.G. Karve, Deputy Governor, Reserve Bank of India, to all of whom the Committee is grateful for the opportunity they gave it for exchange of views with them.

Pattern of Report

7. The main task before the Committee has been to review the existing departmental set-up in the various States and to suggest some broad lines for determining the strength of the staff required at different levels. With a view to appreciating the requirements properly we deal with the development of the co-operative movement under the Five Year Plans in Chapter I. In Chapter II, we give a descriptive account of the co-operative administrative set-up in the different States. At the head of the administration is the Registrar of co-operative Societies with whose appointment, status and tenure we deal in Chapter III. In Chapter IV we review the existing structure of co-operative departmental machinery and make recommendations about its reorganization where necessary. The question of arrangements for control over special types of co-operative societies is one of considerable significance and we go into this in Chapter V. Control of the audit of co-operative institutions is an essential part of the duties of the Co-operative Department. We review in Chapter VI the existing arrangements for audit and suggest measures necessary to improve its quality and efficiency. In Chapter VII we review the strength of the existing machinery for the supervision of co-operative societies. In Chapter VIII, we indicate the position about the deputation of officers from the co-operative departmental service to co-operative institutions. Along with this, we also examine very broadly the question of creating cadres of the staff required for co-operative institutions. The present arrangements for the recruitment and training of the departmental staff are reviewed in Chapter IX. Since the progress of the co-operative movement as a people's movement is to be judged by the extent to which it is run by the people themselves, in Chapter X we deal briefly with the question of transfer of statutory powers to federal agencies. The programme for democratic decentralization inaugurated in a majority of States, raises the question of the relationship of Panchayati Raj institutions with the co-operative movement, which subject we discuss in Chapter XI. In Chapter XII we give our concluding observations, following which is a summary of our recommendations.

Secretariat

8. In response to our request, the authorities of the Agricultural Credit Department of the Reserve Bank of India were pleased to provide accommodation for the office of the Committee. Besides this, they lent the services of members of the staff of the Department selected by us to work with the Committee. We are deeply obliged to the authorities for this valuable assistance.

9. We are grateful to the State Governments and their officials as also to non-official cooperators for furnishing us with the information that we needed and for giving us the benefit of their views on the various aspects of co-operative administration covered by our terms of reference.

10. We, the Chairman and other members of the Committee, should like to conclude with our warm appreciation of the services rendered by Shri G.V. Ramamurthy, Member-Secretary. We were fortunate in having as a member and secretary one who during the course of his work in the Agricultural Credit Department had the opportunity of studying the functioning of the co-operative administrative system. It is because of this fortunate circumstance and the diligent and able manner in which Shri Ramamurthy applied himself to the work that we have been able to complete our work in the allotted time. We also owe thanks to Shri C.G. Krishnamurthy and other members of the staff for their hard and devoted labours.



सत्यमेव जयते

CHAPTER I

CO-OPERATION UNDER THE THIRD FIVE YEAR PLAN

We are required under our terms of reference to suggest measures necessary to strengthen co-operative administration in the country in the context of the large programmes of co-operative development under the Third Five Year Plan. Before outlining what these programmes are, we indicate below the progress of the co-operative movement in the country since 1920-21.

Progress of the Co-operative Movement in India

<i>Year</i>	<i>Number of societies</i>			<i>Number of members</i>	<i>Working capital (Rs. in lakhs)</i>
	<i>Credit</i>	<i>Non-credit</i>	<i>Total</i>		
1920-21	43,694	3,809	47,503	17,52,904	26,43
1925-26	70,830	9,352	80,182	30,58,025	57,60
1930-31	89,391	16,775	1,06,166	43,08,262	91,91
1935-36	86,125	21,832	1,07,957	45,08,729	1,00,10
1940-41	1,12,018	30,494	1,42,512	64,00,359	1,09,33
1945-46	1,33,627	38,539	1,72,166	91,63,344	1,64,00
1950-51	1,24,083	57,106	1,81,189	1,37,15,020	2,75,85
1955-56	1,78,924	61,471	2,40,395	1,76,21,978	4,68,82
1960-61	2,34,428	98,060	3,32,488	3,51,94,000	13,12,09

It will be seen from the foregoing table that the growth in the number of co-operative institutions (and in their membership) has been considerable during the first decade of planning, when an increasingly important role had been assigned to Co-operation as one of the principal means of promoting the economic prosperity of all sections of the community and providing the basis for a socialistic pattern of society. At the end of 1960-61, agricultural co-operatives numbered 2,56,410 forming about 77 per cent of the total number of societies of all types. This is natural in a predominantly agricultural country. Among the agricultural co-operatives again, 2,12,129 were agricultural credit societies constituting numerically the most important single group of co-operative organizations in the country.

The following table gives interesting information in regard to the spread of the co-operative movement in the different States.

**Number, Membership and Working Capital of Co-operative
Societies at the end of 1960-61**

State	Number of societies			Membership of primary societies	Working capital (Rs. in lakhs)
	Credit	Non-credit	Total		
Andhra Pradesh	18,300	8,419	26,719	33,35,974	1,30,67
Assam	5,610	3,297	8,907	5,01,473	16,04
Bihar	17,337	12,402	29,739	17,19,498	26,09
Gujarat	8,317	5,642	13,959	17,75,768	1,53,31
Jammu & Kashmir	1,460	732	2,192	2,91,196	5,04
Kerala	2,812	4,260	7,072	17,12,286	25,85
Madhya Pradesh	21,466	4,392	25,858	12,52,565	70,78
Madras	11,725	6,722	18,447	41,72,821	1,61,86
Maharashtra	23,072	8,492	31,564	40,81,383	2,90,79
Mysore	11,338	3,716	14,954	24,18,140	1,04,15
Orissa	8,985	2,221	11,206	11,95,283	25,58
Punjab	20,687	11,472	32,159	19,85,064	68,23
Rajasthan	11,307	5,584	16,891	9,06,848	31,69
Uttar Pradesh	56,220	12,867	69,087	66,68,446	1,32,75
West Bengal	13,466	5,840	19,306	18,36,157	54,91
Andaman & Nicobar Islands	18	73	91	6,922	19
Delhi	851	1,168	2,019	1,77,413	9,70
Himachal Pradesh	852	132	984	77,083	1,68
Manipur	200	428	628	37,749	62
Pondicherry	87	56	143	26,887	95
Tripura	318	245	563	65,587	1,21
	2,34,428	98,060	3,32,488	3,42,44,543	13,12,09

Uttar Pradesh had the highest number of co-operatives in the country viz., 69,087. Next came Punjab and Maharashtra with 32,159 and 31,564 societies respectively. In regard to working capital, the societies in Maharashtra led the rest with an aggregate of Rs. 290.79 crores, followed by those in Madras (Rs. 161.86 crores) and Gujarat (Rs. 153.31 crores). These three States together accounted for about 46 per cent of the total working capital of co-operative societies in the country. In the matter of membership, Uttar Pradesh led the rest of the States, followed by Madras and Maharashtra. The membership in primary societies in these three States was 6.67 million, 4.17 million and 4.08 million respectively.

It must, however, be stated that the progress and coverage of the movement cannot be judged merely by the number of societies and membership since the States are of varying size and population. The following table* provides some data to judge the progress of the agricultural credit movement in the different States.

Agricultural Credit Societies at the end of 19 61-62

<i>State</i>	<i>No. of primary agricultural credit societies</i>	<i>Membership in thousands</i>	<i>Rural population in the State (in lakhs)</i>	<i>Percentage of rural population served</i>	<i>Average loan advanced per society</i>	<i>Average loan borrowed per member</i>	<i>Over dues as percentage of outstanding</i>	<i>Societies declaring profit as percentage of total societies</i>
Andhra Pradesh	14582	1572	297	26.5	16988	259	19	69
Assam	5177	291	110	13.3	1139	26	71	37
Bihar	18394	1066	425	12.5	1892	83	48	49
Gujarat	7728	895	153	29.2	36629	445	25	62
Jammu & Kashmir	1116	245	30	41.3	22255	63	25	42
Kerala	2259	973	143	33.9	35097	149	17	67
Madhya Pradesh	20312	1024	277	18.5	9918	268	29	75
Madras	11103	2908	247	58.9	29212	213	10	69
Maharashtra	19480	1991	284	35.1	22586	321	29	68
Mysore	9361	1358	183	37.1	18383	219	46	61
Orissa	6546	436	164	13.3	10152	217	20	61
Punjab	19019	1427	162	44.0	8557	254	23	75
Rajasthan	11535	771	169	22.8	9467	200	45	66
Uttar Pradesh	54700	3797	643	29.5	7957	175	12	78
West Bengal	11816	622	264	11.8	8132	165	29	63
Union Territories	1814	184	43	21.4	8264	313	33	71
	214942	19560	3594	27.2	13299	231	25	68

*Based on "Co-operative Movement in India—Important Statistics 1961-62" published by the Ministry of Community Development and Co-operation.

It will be seen from the foregoing table that societies in Madras lead the rest in the matter of coverage of rural population. In this state 58.9 per cent of the rural population has been brought within the purview of cooperative agricultural credit. The corresponding percentages in the next two States are 44 (Punjab) and 41.3 (Jammu & Kashmir). In five States viz., Assam, Bihar, Madhya Pradesh, Orissa and West Bengal the percentage of rural population served by agricultural credit societies is less than 20. Again, the average loan advanced per society (excluding those which are stagnant) is the highest in Gujarat at Rs. 36,629 followed by Kerala and Madras with Rs. 35,097 and Rs. 29,212 respectively. The average loan exceeded Rs. 10,000 only in eight out of the fifteen States. The average loan advanced per borrowing member was the highest in Gujarat at Rs. 445. In Maharashtra and Madhya Pradesh, it was Rs. 321 and Rs. 268, respectively. In three States, Assam, Bihar and Jammu & Kashmir the percentage of agricultural credit societies working at profit was less than 50 and it reached 75 only in three States.

The number of societies under liquidation at the end of the year 1960-61 was 18,847, of which 9,378 were of the agricultural credit type.

During the year 1960-61, 2,01,390 societies worked at profit while 75,558 societies sustained losses.

Third Plan Outlay for Co-operative Development

2. Before giving particulars of the Third Plan outlay on co-operation, and the progress of expenditure thereunder, it is necessary to point out that the outlay does not fully reflect the total plan outlay of Governments on all schemes of development in all the sectors of the co-operative movement. An instance in point is the outlay of Governments by way of share capital participation in co-operative credit institutions at various levels with funds to be borrowed from the Reserve Bank of India. Though this involves a sizeable amount, the figure is not included in the outlay shown against co-operation. Similarly, the allocations pertaining to co-operatives in sectors like industry, housing, fisheries, dairying etc., are not included in the outlay shown under co-operation. Again, the figures of outlay, being confined to funds to be provided by Governments, do not reflect the assistance expected to be provided to co-operatives by institutional investors like the Industrial Finance Corporation of India, the Life Insurance Corporation of India, the Reserve Bank of India and the State Bank of India. Moreover, the capital formation on the part of the co-operatives themselves in the form of share capital, reserves etc., does not figure in the outlays shown under the plan, though they may appear as targets of achievement in the programmes of co-operative development. With these preliminary remarks, we give below particulars of the Third Plan outlay for co-operative development schemes in the various States and the expenditure (actual and estimated) during the first three years of the Plan period :

(Rs. in lakhs)

Sr. No.	Name of the State	Third Plan outlay	1961-62 (Actuals)	1962-63 (Anticipated)	1963-64 (Tentative)
1.	Andhra Pradesh	575.00	49.30	66.89	72.00
2.	Assam	200.00	15.64	35.94	39.00
3.	Bihar	518.00	55.61	64.02	77.70
4.	Gujarat	457.10	56.21	46.92	59.75
5.	Jammu & Kashmir	80.00	9.02	10.00	12.00
6.	Kerala	246.16	34.34	33.97	39.20
7.	Madhya Pradesh	670.00	68.69	89.58	115.00
8.	Madras	471.06	109.85	111.93	99.82
9.	Maharashtra	845.00	112.39	178.39	177.55
10.	Mysore	475.00	48.06	78.00	90.00
11.	Orissa	252.00	22.25	42.85	45.00
12.	Punjab	450.00	68.53	55.18	65.67
13.	Rajasthan	400.00	41.61	49.92	60.00
14.	Uttar Pradesh	1084.07	108.41	173.53	218.54
15.	West Bengal	245.35	26.54	51.16	57.00
Total		6968.74	826.45	1088.28	1228.23

The utilization of the plan provision during the first two years by the different States formed only 27.5 per cent of the total plan outlay. This is primarily due to the fact that some of the States are making provisions for the co-operative sector on a much smaller scale than are required to achieve the targets laid down under the Plan.

Co-operation under the Five Year Plans

3. The First Plan recognized that Co-operation was an indispensable instrument of planned economic action in a democracy. The Second Plan emphasized that :

in a country whose economic structure has its roots in the village, co-operation is something more than a series of activities organised on co-operative lines; basically, its purpose is to evolve a system of co-operative community organisation which touches upon all aspects of life.

The co-operative development programmes under the Second Plan were drawn up with the principal object of securing integrated development in the field of credit, marketing and processing. These programmes, which were generally based on the recommendations of the All-India Rural Credit Survey Committee, were to have as their long-term goal, "the organization of rural business on a co-operative basis in such a way that within 15 years, 50 per cent of the total business—credit, marketing, processing etc., is co-operative." The State Governments were to draw up plans for the development of co-operative credit in consultation with the Reserve Bank of India and for the development of co-operative marketing, processing etc., in consultation with the Government of India. The National Development Council in a Resolution on Co-operative Policy adopted in November 1958 re-emphasized the role of village co-operative in rebuilding the rural economy. The Industrial Policy Resolution (1956) had also emphasized the need for building up a large and growing co-operative sector. The Third Plan carries this approach further and observes that "in a planned economy pledged to the values of socialism and democracy, co-operation should become progressively the principal basis of organization in many branches of economic life, notably in agriculture and minor irrigation, small industry and processing, marketing, distribution, supplies, rural electrification, housing and construction, and the provision of essential amenities for local communities" The entire rural economy is to be reorganized on a co-operative basis, and this will include provision of services such as credit, marketing, storage and distribution, co-operation in production and diversification of the occupational structure. A brief account of the various development programmes contemplated under the Third Five Year Plan is given in the following paragraphs.

Co-operative Credit for Agriculture

4. The progress in the sphere of agricultural credit during the first two Plan periods and the targets fixed for the Third Plan are indicated

in the following table :

Progress of Agricultural Credit Societies

<i>Sr. No.</i>	<i>Item</i>	<i>1950-51</i>	<i>1955-56</i>	<i>1960-61</i>	<i>1961-62 (Provi- sional)</i>	<i>1965-66 (Target)</i>
1.	Number (lakhs)	1.05	1.60	2.12	2.15	2.30
2.	Percentage villages covered	N.A.	N.A.	75	N.A.	100
3.	Membership (lakhs)	44.08	77.91	170.41	193.66	370.00
4.	Percentage of agricultural population covered	8	15	33	34	60
5.	Share capital (Rs crores)	7.61	16.80	57.75	67.64	118.00
6.	Deposits (Rs crores)	4.28	7.04	14.59	16.80	41.25
7.	Loans advanced (Rs crores)	22.90	49.62	202.75	225.20	530.00
8.	Percentage of loans overdue	22	25	20	23	

The picture that is likely to emerge at the end of the Third Plan if the targets are attained is illustrated in the following table :

Agricultural Credit Societies

<i>Sr. No.</i>	<i>Item</i>	<i>1950-51</i>	<i>1955-56</i>	<i>1960-61</i>	<i>1961-62 Provi- sional</i>	<i>1965-66</i>
1.	Average membership per society (Number)	45	49	80	90	161
2.	Average share capital per society (Rs)	727	1,051	2,722	3,142	5,130
3.	Average deposits per society (Rs)	408	441	688	780	1,793
4.	Average loan advanced per society (Rs)	1,983	3,102	9,558	10,460	23,043
5.	Average share capital per member (Rs)	17	22	34	35	32
6.	Average loan advanced per member (Rs)	44	64	119	116	143

The number of agricultural credit societies which was 1.05 lakhs at the end of 1950-51 doubled itself in the first decade of planning and stood at 2.12 lakhs at the close of 1960-61. While some of these undertook the various service functions expected of them, about 52,000 (in addition to 42,000 reported to have been taken up for revitalization in the Second Plan) needed to be revitalized if they had to reach a reasonable standard of serviceability. About 10,000 dormant societies are expected to be

liquidated. In regard to the implementation of the programme of revitalization, the Ministry of Community Development and Co-operation have observed in their Report for the year 1962-63 as under :

The implementation of the programme of revitalization and consolidation of the primary structure has not however been satisfactory everywhere. Some of the state governments had not prescribed criteria for selection of societies for revitalization or the tests such societies should satisfy during the period of revitalization. In July 1962, the Ministry, therefore, indicated to state governments certain broad criteria that might be adopted by them with suitable modifications, for selection of societies and for prescribing the targets that these societies should satisfy during the period of revitalization.

(Chapter II, para 2)

This question also came up for discussion at the last Conference of State Ministers of Co-operation held at Lucknow in February 1963. The Conference after reviewing the progress, made the following recommendations :

- (a) The programme of revitalisation of the primary credit structure was very important particularly in the context of our attempts to broadbase the activities at that level and should be implemented more systematically and vigorously than has been generally done in the past.
- (b) Normally 'C' and 'D' class societies* only need be taken up for revitalisation but depending on local conditions a few 'B' class societies in certain areas may also be taken up for revitalisation.
- (c) In the context of the limited resources available societies with a turnover exceeding Rs 25,000 may not normally be given financial assistance although there would be need for programmes for improving their efficiency, business turnover etc.
- (d) Specific criteria for increase in membership, share capital, deposits, loans issued, reduction in overdue, service functions to be undertaken etc. should be prescribed each year and their performance assessed to ensure that the societies have shown definite progress.
- (e) In implementing the programme the services of the block extension staff should be utilised.
- (f) A programme of reorganisation of societies should be taken up along with revitalisation with a view to ensuring viability by enlarging the area of operation or by amalgamation of weak societies within permissible limits. Organisation of new societies should be kept to the minimum.

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By the end of the Third Plan, the number of societies is expected to increase to 2.30 lakhs covering all the villages in the country. The membership of the societies which stood at 44.08 lakhs at the end of 1950-51, in-

* According to the Statistical Statements relating to the Co-operative Movement in India 1960-61 published by the Reserve Bank of India, 4281 agricultural credit societies were classified as A, 26,766 as B, 1,16,456 as C, 14,920 as D, 2,642 as E. 31,806 societies had not been audited. 11,806 societies had been audited but not classified.

creased to 170.41 lakhs by the end of 1960-61 and is expected to reach 370 lakhs by the end of the Third Five Year Plan. The percentage of the agricultural population covered then would be 60 as against 8 at the end of 1950-51.

A target of Rs 530 crores of short and medium-term credit has been set for the Third Five Year Plan. This target represents the issue of short-term loans (Rs 420 crores) and of medium-term loans (Rs 110 crores) during the year 1965-66. The attainment of the targets will, to a large extent, depend upon the ability of the credit structure to raise its own resources in the form of owned funds and deposits. It has been assumed in the Third Plan that these resources in the State and central co-operative banks would develop as follows: (Rs. crores)

	<i>State co-operative banks</i>		<i>Central co-operative banks</i>	
	<i>1960-61</i>	<i>1965-66</i>	<i>1960-61</i>	<i>1965-66</i>
Owened funds	20	57	42	102
Deposits	60	142	95	212

Long-term Credit

The Third Plan provides for the organization of 173 primary land mortgage banks, in addition to 160 branches of central land mortgage banks. The outstandings of long-term loans are expected to go up from Rs 37.75 crores at the end of 1960-61 to Rs 150.55 crores by the end of the plan period.

As indicated earlier, the progress achieved in the sphere of agricultural credit has been very uneven as among the different States. While some States have registered satisfactory progress in the matter of coverage of population and issue of credit, others are faced with rising overdues. It will be seen from the table on page 10 that in nine States, the overdues formed 25 per cent and above of loans outstanding as at the end of the year 1961-62. In Assam, Bihar, Mysore and Rajasthan, the position is particularly disquieting, the percentage of overdues to loans outstanding in these States being 71, 48, 46 and 45, respectively.

Co-operative Marketing

5. It was during the Second Plan period that systematic programme of co-operative marketing was undertaken. Over 1800 primary marketing societies covering most of the important markets in the country were organised and provided with the necessary financial assistance. These were federated into apex marketing societies in various States and Union Territories. A National Co-operative Marketing Federation of apex marketing societies was also started during the Second Plan. 1,752 marketing societies received share capital contribution and 1,816 received assistance towards managerial cost. In addition, loans and subsidies amounting to Rs. 559.09 lakhs were given for the construction of *mandi* godowns and 5,140 rural godowns. During the Plan period, an amount of Rs. 7.50 lakhs was provided by way of loans for establishing 2 cold storage plants, one each in the States of the Punjab and Mysore.

At the end of the Second Plan there were 3,303 marketing societies. Not all of them, however, were located at established market centres. It was also observed that a number of them did not undertake marketing

activities, but merely worked as agencies for the distribution of fertilisers and other agricultural requisites, besides advancing loans to the members against the pledge of produce. In view of this, the Third Five Year Plan laid stress on consolidation and development of societies which had already been organized rather than on organizing a large number of new marketing societies.

544 new marketing societies are expected to be established in markets not covered as at the end of the Second Plan. With these, there will be a marketing society at or near each of the 2,500 *mandis* in the country. During 1961-62, about 2,000 marketing societies undertook the sale of agricultural produce and such sales amounted to Rs. 60.22 crores. In addition, other co-operative societies, such as sugar-cane supply societies, sugar factories, rice mills, oil mills etc., also undertook the sale of agricultural commodities to the extent of Rs. 119.26 crores. Under the Third Plan, the total sales are expected to rise up to Rs. 360 crores by 1965-66. The programme for the construction of godowns at *mandi* centres and rural godowns is closely linked with the programme for marketing. The Third Plan provides for the construction of 1,108 *mandi* level godowns and 9,330 rural godowns. It is also proposed to set up 30 co-operative cold storages in various States in the country.

Co-operative Processing

The Third Plan recognizes that the development of co-operative processing is essential not only for increasing rural incomes and facilitating the supply of adequate credit for production, but also for building up a co-operative rural economy. Co-operative processing is a recent development. Relatively, more progress has been achieved in sugar and cotton ginning and pressing than in other processing industries. By the end of the Second Plan, 30 cooperative sugar factories out of a total of 41 were in production. In the course of the Third Plan, depending upon the factors governing the progress of the sugar industry as a whole, about 25 more co-operative sugar factories are expected to be established. This number may go up in view of the recent decision of the Government of India to raise the licensed capacity for the manufacture of sugar.

The following table gives the progress of co-operative sugar factories up to the end of 1962-63.

Season	Number of co-operative sugar factories in production	Sugar produced (lakh metric tons)	Share of the co-operative sector in national production (per cent)
1955-56	3	0.26	1.40
1956-57	8	0.58	2.86
1957-58	14	1.50	7.56
1958-59	21	1.79	9.32
1959-60	25	2.92	12.06
1960-61	30	4.42	14.82
1961-62	34	4.70	17.68
1962-63	41	4.75	21.60

In the course of the Second Plan, 378 co-operative processing units other than sugar factories were assisted. These included 84 cotton ginning and pressing units, 109 rice mills and hullers, 20 oil mills, 17 jute baling plants, 26 groundnut decorticators and 122 other units. Programmes drawn up for the Third Plan include the setting up of 783 co-operative processing units comprising 48 cotton gins, 36 rice mills, 411 rice hullers, 29 jute baling plants, 33 oil mills, 63 groundnut decorticators, 77 fruit canning units and 86 other processing units.

Co-operative Farming

7. The role of co-operative farming in the reconstruction of the rural economy was stressed in the first two plans. The goal as enunciated in the Second Plan was that such essential steps were to be taken as would provide sound foundations for the development of co-operative farming, so that over a period of ten years or so, a substantial proportion of agricultural lands was cultivated on co-operative lines. A detailed programme for the development of co-operative farming was, however, formulated by the Government of India only in the Third Five Year Plan. It consists of the organization of 3,200 societies in 320 pilot project areas at the rate of one such project per district. In each project area, ten co-operative farming societies are to be organized. The purpose of the pilot project is to demonstrate to the farmers that by pooling their lands, manpower and other resources, they can increase agricultural production, improve employment opportunities and raise their standard of living. Co-operative farming societies which come up outside the pilot project area are also to be encouraged and assisted. A total provision of Rs. 11 crores has been made in the Third Plan for this programme.

By the end of June 1963, 994 co-operative farming societies had been organized in 160 pilot projects with a membership of 19,823 and covering an area of 1.19 lakh acres. In addition, 949 societies outside the pilot project areas with a membership of 19,462 and covering an area of 1.21 lakh acres had also been organized.

For assessing the progress of co-operative farming societies and evaluating the working of the pilot projects, a Committee of Direction has recently been appointed by the Ministry of Community Development and Co-operation under the chairmanship of Prof. D.R. Gadgil. This Committee has decided to evaluate two pilot projects per State during the year 1963-64.

For implementing the programme of co-operative farming, the Ministry has constituted the National Co-operative Farming Advisory Board. Similarly, advisory boards have been set up in all the States for planning and promoting the programme on sound lines.

Consumer Co-operatives

8. During and after the second world war, a large number of consumer stores came to be established for the distribution of controlled commodities. With the advent of decontrol, many of these societies had to be wound up. There were 7,133 consumer stores at the end of the year 1960-61, of which only 2,764 stores were working at a profit. Realising the importance of developing consumer co-operation, the Third Plan

provided for assisting the organization/revitalization of 2,200 consumer stores and the organization of an apex wholesale stores for each State.

As a means of holding the price line generally in the context of planned development and for ensuring equitable distribution of consumer goods particularly in the situation arising out of the national emergency, the Government of India decided last year to launch a vigorous programme for consumer co-operation and sanctioned in November 1962 a centrally sponsored scheme therefor in supersession of the earlier scheme. The scheme envisages the organization during 1962-63 and 1963-64 of 200 wholesale stores with 4,000 primary stores/branches in cities and towns having a population of 50,000 and above. The entire financial outlay of about Rs. 10 crores is being provided by the Government of India, outside the State plan ceilings. A liberal pattern of assistance has been evolved under which a wholesale store is eligible for financial assistance up to Rs. 4.10 lakhs towards share capital, clean credit accommodation, purchase of trucks, construction of godowns and managerial expenses. Similarly, a primary store/branch under a wholesale unit is entitled to financial assistance up to Rs. 4,500 towards share capital and managerial expenses. Financial provision has been made in the scheme to enable the State Governments to maintain a whole time Joint Registrar and supporting staff for administration and supervision of consumers' co-operatives. By the end of July 1963, 102 wholesale stores and 1,388 primary stores/branches were organized under the scheme. Joint Registrars for the implementation of the scheme have been appointed in most of the States.

Other Types of Co-operatives

9. Under the Third Plan, the number of industrial co-operatives is expected to increase from about 30,000 to 40,000, their membership from over 2 million to 3 million and their share capital from about Rs. 10 crores to about Rs. 20 crores. The Second Working Group on Industrial Co-operatives set up by the Government of India has recommended an upward revision of the programme to about 15,000 new industrial co-operatives under the handlooms, handicrafts, sericulture, coir and khadi and village industries schemes, raising the number of industrial co-operatives to 48,000 with 4 million members and working capital of Rs. 120 crores. A target of organizing 100 co-operative industrial estates has also been set for the Third Plan.

The number of co-operative spinning mills that may be registered during the Third Plan has been placed at 44, raising the total number to 56 by the end of the period. Organization of labour and construction co-operatives has also been recommended with a view to utilizing rural manpower in the works programmes to be undertaken in the Third Plan.

The Plan also visualises the development of housing co-operatives, fisheries and dairying on a fairly large scale. With a view to providing new opportunities for educated unemployed persons, the encouragement of transport co-operatives has also been suggested.

Co-operative Training

10. At the end of the Second Plan, besides the Co-operative Training College at Poona for training senior officers of the co-operative departments

and co-operative institutions, there were 13 regional centres for intermediate and block level co-operative staff and 62 co-operative training centres for junior personnel. Special courses for land mortgage banking, marketing and industrial co-operatives were also organized at the intermediate training centres. By the end of the Second Plan, 543 senior officers, 3,417 block level and intermediate officers and 34,000 junior personnel had received training. For the Third Plan, the programmes drawn up by the States envisage, among others, the addition of 13 schools for training junior personnel. Special courses for labour and construction co-operatives and consumer co-operatives are also being arranged in the centres for training intermediate personnel. Training wings have been attached to agricultural colleges for providing training in co-operative farming. More elaborate arrangements for training in consumers co-operatives are under way. The National Co-operative Union is in charge of the scheme of co-operative member education. There were, under the scheme, 583 peripatetic training units at the end of 1962-63.

In pursuance of the decision of the Conference of State Ministers of Co-operation held in New Delhi in October 1961, the programme of co-operative training and education has been entrusted to the National Co-operative Union of India and the State co-operative unions with effect from 1 July 1962.

Impact of Plan Programmes on Co-operative Department

11. With every plan, the responsibility of the Co-operative Department gets increased. The programme of co-operative development entails additional work connected with the organization of new societies in fields familiar as well as new, and securing to them in the initial years various types of assistance in the plan and outside. Simultaneously, the societies that have already come into being claim the time and energies of the Department as it is generally responsible for helping in the maintenance of the co-operative movement in a continuing state of health. In this respect, the impact of planned development in Co-operation on the workload of the Co-operative Department is of quite a different order in its totality from what it generally is in the case of some other development departments. This somewhat special feature of the work and responsibility of the Co-operative Department in relation to planned development has to be borne in mind when considering what should be the strength and quality of the Co-operative Department in the different States.

CHAPTER II

ADMINISTRATIVE SET-UP OF CO-OPERATIVE DEPARTMENT

We describe in this chapter the existing administrative system of the Co-operative Department in various States. Before we do so we indicate very briefly the existing arrangements in the Secretariat Department of the State Government which serves as the main link between the Co-operative Department on the one hand and the Government on the other.

Secretariat Department

2. In no State is there a Secretariat Department of the State Government that deals exclusively with the subject of Co-operation. In most States, the subject is combined with one or more other subjects such as, Agriculture, Rural Development, Forests, Animal Husbandry, Fisheries, Sugar-cane and Industries. In one state, the Secretary is also in charge of Medical and Public Health. In Andhra Pradesh, the Secretary in charge of Co-operation has under him Food, Agriculture, Fisheries, Animal Husbandry and Forestry. On the other hand, the only other subject under him in Bihar and Uttar Pradesh is Sugar-cane. In Maharashtra, Punjab and West Bengal, the other subject handled by him is Rural Development, Agriculture and Cottage and Small Scale Industries respectively. In Mysore, the Secretary in charge of Co-operation is also designated as Development Commissioner.

3. The head of the Secretariat Department has usually under him a Deputy Secretary or an Assistant Secretary to assist him in his work pertaining to Co-operation. In one State, the subject along with Civil Supplies is handled by a Joint Secretary assisted by a Deputy Secretary. In another State, the State Government has under consideration the question of making the Registrar ex-officio Joint Secretary to Government. While in a few States, the Deputy Secretary or Assistant Secretary deals exclusively with the subject of Co-operation, in others this officer is also required to handle other subjects. We did not find in any State the practice of drawing into the Secretariat Department officers on deputation from the Co-operative Department to serve on the staff of the Secretariat Department.

Subjects Handled by the Co-operative Department in Different States

4. The extension of the co-operative movement to diverse fields of economic activity in pursuance of the plan programmes has led to the formation of special types of co-operative societies which constitute distinct groups. Although these are all registered under the Co-operative Societies Act, in some States for administrative convenience, the powers of the Registrar have been conferred in their entirety to officers of other departments functioning independently of the Registrar in respect of some of these groups. In Assam, Bihar, Gujarat, Jammu & Kashmir, Madhya

Pradesh, Maharashtra and Rajasthan, the Co-operative Departments have administrative control over all types of co-operatives. In Andhra Pradesh, the Registrar has not been exercising control over industrial co-operatives other than weavers', neera and palm gur societies since 1958 when control over these societies was transferred to the Industries Department. All the statutory powers vested in the Registrar under the Act except audit, have been conferred on one of the Deputy Directors in the Industries Department. Coir, handloom, small scale industries, fisheries and harijan welfare societies in Kerala are in the charge of the Industries, Fisheries and Harijan Welfare Departments. In Madras, the Registrar does not have control over industrial societies (other than handloom societies) and fisheries co-operatives. There, the Director of Handlooms who is in charge of handloom weavers' societies is designated as Joint Registrar of Co-operative Societies and is answerable to the Registrar in regard to his work relating to these societies. In Mysore, the Industries and fisheries Departments have control over industrial and fisheries co-operatives, respectively. In Orissa, the responsibility for the promotion of and supervision over industrial co-operatives other than handloom societies was transferred to the Industries Department in 1962, but the statutory duties in regard to them continue to vest in the Co-operative Department. In Punjab and Uttar Pradesh, the Registrar does not exercise control over industrial societies and sugar-cane co-operatives which are under the Director of Industries and the Cane Commissioner, respectively. In West Bengal, the Joint Director of Industries who is also designated as the Joint Registrar of Co-operative Societies is in charge of handloom and powerloom societies.

5. In all the States except Uttar Pradesh, the audit of all types of societies is the responsibility of the Registrar. In Uttar Pradesh, while the audit of industrial societies and cane societies is under the Director of Industries and the Cane Commissioner respectively, the audit of societies under the charge of the Registrar is conducted by a separate audit organization headed by a Chief Audit Officer functioning under the control of the Finance Department.

6. In some States, the Co-operative Department has been entrusted with duties other than those incidental to the working of co-operative societies. For instance, in Gujarat, the Co-operative Department is responsible for administering the Moneylenders Act and the Agricultural Produce Markets Act. In Maharashtra, the Co-operative Department is entrusted with the responsibility of administering the Bombay Moneylenders Act, the Bombay Agricultural Produce Markets Act, the Bombay Agricultural Debtors Relief Act, the Bombay Warehouses Act and the Bombay Tenancy and Agricultural Lands Act in so far as it affects co-operative farming societies. In Orissa, the Registrar is the Director of Marketing and is also entrusted with matters relating to regulated markets and weights and measures. In a few States, the Registrar is provided with separate staff for dealing with such additional responsibilities.

Co-operative Departmental Organization

7. The Registrar as the head of the Co-operative Department is vested with wide statutory powers to ensure that the movement is organized, run and developed on sound and efficient lines. For this purpose he is provided with staff at various levels. As empowered by law, the

Registrar in all States has delegated his powers in varying degrees to officers subordinate to him, the delegation depending on their status and position in the administration. Details of such delegation are given later in this chapter.

Differences in Designations

8. While describing the co-operative departmental organization in different States and at different levels some difficulty arises owing to the diverse designations and status given to officers at the same level discharging more or less similar functions. For instance, while in most States the officer next in rank to the Registrar is designated as Joint Registrar, in Uttar Pradesh he is designated as Additional Registrar. In Gujarat, there is no provision for an officer designated as Joint or Additional Registrar. In Orissa and Rajasthan there is a post of Additional Registrar at the headquarters besides the post of Joint Registrar. The post of the Additional Registrar in Orissa is considered higher in status than Joint Registrar. In Rajasthan the designation of Additional Registrar seems to be used when the post is held by an I.A.S. officer. Except in Andhra Pradesh and Maharashtra, where the officer in charge of a division is also a Joint Registrar, in other States where divisional offices have been created, the divisional officer is one rank lower than the Joint Registrar. In most States the designation of divisional officers is Deputy Registrar with the status of a Class I gazetted officer.

9. The designation and status of the officer who is in charge of a district or a part of it also vary from State to State. In Andhra Pradesh and Madras, the officer in charge of a circle is designated as Deputy Registrar. Though he is a gazetted officer, his status and emoluments are lower than those of a Deputy Registrar in other States where he is a gazetted officer of Class I status. In Kerala, the status of the functionary called Deputy Registrar is no higher than it is in Andhra Pradesh and Madras, but he is in charge of a district and is assisted by another level of gazetted officers called Assistant Registrars. The Deputy Registrar who is in charge of a district in Maharashtra is a Class I officer and he is assisted by gazetted officers of a lower rank called Assistant Registrars. The officer in charge of a district in Bihar is designated as the District Co-operative Officer who is one rank lower than Deputy Registrar. He is assisted by gazetted officers designated as Assistant Registrars. The officer in charge of a district in Gujarat is called the District Registrar; in some districts he is an officer of Class I status, in others he is a Class II officer of the same rank and status as another category of officers in the same State called Assistant Registrars. In the remaining States viz., Assam, Jammu & Kashmir, Madhya Pradesh, Mysore, Orissa, Punjab, Rajasthan, Uttar Pradesh and West Bengal the district level machinery covers either whole districts or parts of districts called circles or ranges, and it is headed by gazetted officers called Assistant Registrars.

Organization at Headquarters

10. The number of Additional/Joint Registrars assisting the Registrar at headquarters ranges from none in Gujarat, and two in Orissa, Rajasthan and West Bengal to six in Maharashtra. The number of these and other gazetted officers at headquarters in different States and the functions allotted to them are indicated in Appendix VI. In Orissa, which has an Additional Registrar and a Joint Registrar at headquarters, the former

is exclusively in charge of handlooms, powerlooms and sericulture. The Additional Registrar in Rajasthan and one of the two Joint Registrars in West Bengal are in charge of consumers' stores. In these three States, the Registrars do not have more than one senior officer at headquarters of the rank of the Joint Registrar to assist them in respect of other functions. In West Bengal, however, a Joint Director of Industries is in charge of handlooms and for this purpose he has been designated as Joint Registrar. In Madras, the number of Joint Registrars at the headquarters is five. This is exclusive of the Chief Audit Officer who is taken on deputation from the Indian Audit and Accounts Department. In addition there are two other officers of other Departments, the Director of Handlooms and the Milk Commissioner who have also been designated as Joint Registrars in so far as their work relating to handloom and dairy societies is concerned. Bihar, Madhya Pradesh and Punjab have five Joint Registrars at headquarters.

11. In all the States, the Joint Registrars and other officers at the headquarters are in charge of different functions. In the distribution of functions among these officers, there is large variation from State to State. Most of the States have in pursuance of the centrally sponsored scheme of consumers' stores appointed Joint Registrars for implementing the scheme. The other subjects which are usually allotted to Joint Registrars at headquarters in a number of States are general administration, audit, farming and marketing. In a few States these functions are combined with one or more subjects such as credit, processing and planning.

12. In most States the Joint Registrars at the headquarters are vested with all the powers of the Registrar under the Co-operative Societies Act and the Rules thereunder. We give in Appendix VII details of the delegation of the statutory powers of the Registrar to officers at lower levels in different States. In Gujarat, powers relating to compulsory amendment of by-laws, investment of funds and appeals have been retained with the Registrar. In Jammu & Kashmir, only the Registrar can register societies with State-wide jurisdiction, approve amendments to the by-laws of such societies and hear appeals. Powers relating to levying surcharge on members and supersession of managing committees can be exercised in Punjab only by the Registrar. In West Bengal, the Second Schedule to the Act specifies the powers which cannot be delegated by the Registrar. These include, among others, approving the bank in which the reserve fund of a society may be invested, levying surcharge on members, imposing penalties for contravention of the Act, Rules or by-laws and sanctioning the institution of prosecutions under the Act.

13. So far as other gazetted officers working at headquarters are concerned, e.g. Deputy Registrars and Assistant Registrars, in some States they are themselves in charge of specified subjects whereas in some others they only assist the functional Joint Registrars. The number of such officers differs and the duties assigned to them vary from State to State. In Uttar Pradesh there are 10 officers of the rank of Deputy Registrars and 17 others of the rank of Assistant Registrars at the headquarters. At the other extreme, Assam has only one Deputy Registrar and six Assistant Registrars.

Organization at Divisional Level

14. Three States, viz. Kerala, Madras and West Bengal do not have an administrative machinery at the divisional level. In West Bengal, how-

ever, a proposal to create divisional offices is said to be under consideration. In Kerala, for purposes of only audit and land mortgage banking, the State has been divided into three and two zones respectively. The officers in charge of these zones are, however, of the rank and status of the district officer.

15. The officers at the divisional level where it exists are generally of a rank higher than that of district level officers but lower than that of Joint Registrars functioning at the State headquarters. The exceptions to this pattern are, however, Andhra Pradesh and Maharashtra where the status of the divisional officer is equal to that of the Joint Registrar at headquarters.

16. The Mysore Conference of State Ministers of Co-operation (1959) had expressed the view that there was an administrative advantage in making the jurisdiction of a divisional officer co-terminus with a revenue division wherever divisions existed in the States and had recommended as follows :

One Divisional Officer for a minimum of 5,000 societies, with jurisdiction co-terminus with a revenue division and with adequate powers for final disposal of work. Where there are more than 7,000 societies in a divisional area, an additional Divisional officer may be provided. (Page 91)

In the States where the divisional machinery exists, the jurisdiction of a divisional office in the Co-operative Department is generally co-terminus with the Revenue Division. In Rajasthan, this was the position till 1962 when two of the then existing five divisions were merged into one as a measure of economy.

17. In most of the States, the divisional officers have been given the assistance of only non-gazetted staff consisting of a certain number of inspectors and clerks. In Maharashtra, however, the divisional officer has under him five gazetted officers of whom one is a Class I officer and four are Class II officers including a Statistician. In Orissa, the Department has under consideration the question of posting an Assistant Registrar (Class II officer) to the Divisional Office. In Rajasthan, the divisional officer is assisted by a Special Auditor of the rank of the district level officer, one Inspector who functions as his technical assistant and some ministerial staff. In Madhya Pradesh, he has been given the services of only a few clerks.

18. The functions of a divisional officer vary from State to State. Broadly, his duties comprise co-ordinating the working of the Department with other departments at the divisional level, keeping a watch over the functioning of district or circle offices and supervising the implementation of plan schemes in the division and visiting a prescribed number of societies in the division. In Gujarat and Maharashtra, he is also in charge of the administration of the Money-lenders' Act. In Madhya Pradesh, the divisional officer is expected to inspect at least once a year all the central banks in the division, while in Mysore he is required to inspect central banks twice a year. The divisional officer in Orissa receives the inspection notes of all officials in his division down to the Gram Panchayat Organizer.

19. The nature and extent of delegation of statutory powers to divisional officers is not uniform in all States. In Assam and Uttar Pradesh, all the powers of the Registrar have been delegated to the divisional officers. In Bihar, however, the power to levy surcharge has not been vested in them. Similarly, in other States, all powers with a few exceptions have been delegated to the officers at the divisional level. The powers not generally delegated are those which relate to societies whose area of operations extends beyond the division. Other powers that are not delegated relate to power to direct amendment of by-laws, investment of funds, passing orders on the proceedings of staff at lower levels and appeals, in Gujarat; hearing of appeals, in Madhya Pradesh; supersession of managing committees of societies other than primary credit societies and primary industrial societies, in Mysore; supersession of managing committees of credit societies, in Orissa and supersession and levying of surcharge, in Punjab. In Rajasthan, the divisional officer exercises all the powers of the Registrar except in relation to apex societies and central financing agencies. In Maharashtra, barring the types of societies which can be registered only by the Registrar, the divisional officer is allowed to exercise the powers over (a) societies the area of operation of which covers more than one district in the same division (b) societies with their headquarters within his division, though their area of operation may extend beyond the division and (c) societies whose authorised share capital exceeds Rs. 5 lakhs, though their area of operation may not extend beyond a district.

20. In the matter of delegation of administrative and financial powers to divisional officers there is even greater diversity among the various States. In Madhya Pradesh, only the transfer, sanction of leave etc., of lower division clerks and sub-auditors have been entrusted to the divisional officers. In Mysore the range of delegation has been somewhat wider. The divisional officer has been given authority to effect transfers within his division of non-gazetted staff drawing a pay up to Rs. 150 and grant leave to all non-gazetted staff up to three months. The administrative functions of a divisional officer in Orissa include the appointment of ministerial staff within his division, transfers of Class III staff, sanction of leave to district, sub-divisional and block level officers, approval of subsidiary rules and budgets of central banks and nomination of Government representatives on the boards of large sized societies. In most States the financial powers delegated to divisional officers are not of a significant nature as they relate to only such items as countersigning of T.A. and medical bills of staff, purchase of stationery, furniture etc., and incurring of contingent expenditure within prescribed limits. Maharashtra, however, presents an altogether different picture. The Divisional Officers have been vested with extensive financial and administrative powers. The Divisional Joint Registrar is the sanctioning authority in respect of the following schemes of co-operative development under the Plan :

<i>Name of the scheme</i>	<i>Nature of assistance</i>	<i>Scale of assistance under the scheme</i>
1	2	3
(i) Scheme for the organization of co-operative fisheries societies	Share capital contribution to fisheries societies	Rs. 3,000 per society provided the society's owned capital is not less than Rs. 1,000.

1	2	3
(ii) Industrial co-operatives including district industrial co-operative bank.	Share capital contributions	Up to Rs. 1.00 lakh on matching basis.
(iii) Development of agricultural marketing.	Loans	Up to Rs. 50,000.
(iv) Organization of co-operatives of persons dependent upon transport services.	Share capital and loan	Share capital on matching basis subject to maximum of Rs. 25,000. Loan to prospective members for purchase of shares up to Rs. 500. Loan for working capital up to Rs. 50,000.

All establishment matters (i.e., appointment, transfer, leave etc.,) relating to non-gazetted staff except supervisors and Class IV staff are dealt with by the divisional officer. Those relating to Supervisors and Class IV staff are handled by the officers at the district level.

Organization at District Level

21. The Conference of State Ministers of Co-operation (1959) had recommended that there should be one district co-operative officer (Assistant Registrar—Gazetted Class II status) for at least 500 co-operative societies of all types. If the number of societies in a district exceeded 800, an additional Assistant Registrar should be provided. In the States where this pattern has been accepted in principle, the actual application of the norms varies from one State to another. For example, in Madhya Pradesh and Uttar Pradesh, the additional officer is posted when the number of societies exceeds 1,000 in a district. In the States where the work in the district is divided among two or more officers, each in charge of one circle (e.g., Andhra Pradesh, Assam, Madras, Madhya Pradesh, Mysore and Rajasthan), there is no co-ordinating officer at the district level. In Madhya Pradesh, in the districts where an additional post of Assistant Registrar has been created, both the officers function in the same office. The entire work is shared between the two on a functional basis except in respect of inspection which is attended to on a territorial basis. In Rajasthan, the two Assistant Registrars in certain districts share the work territorially but function in the same building and make use of the same ministerial staff.

22. In some States, apart from the normal administrative machinery in the district, there are separate officers for discharging special functions like audit and land mortgage banking. Their jurisdiction extends to either a district or a group of districts. Thus, in Andhra Pradesh, Bihar, Madras, Mysore and West Bengal, there are separate officers in charge of audit in most of the districts. In Kerala and Orissa, on the other hand, the State has been divided into 3 and 6 zones, respectively, for the purpose. We describe the administrative arrangements in regard to audit in Chapter VI.

Similarly, for work relating to land mortgage banks, the States of Andhra Pradesh, Kerala, Madras and Orissa have been divided into zones comprising a certain number of districts. Again, in most of the districts in Madras State, there is a special officer of the rank of a circle officer to attend to the scheme of integrated credit and marketing. In Orissa, there are four Assistant Directors of Textiles for administration and technical supervision of weavers' societies besides four other officers of the same status in charge of powerloom societies.

23. The nature and extent of delegation of powers to officers in charge of districts or circles vary from State to State. Thus a district level officer in Andhra Pradesh does not have powers of supersession of committees, liquidation of societies and revision of awards. Again, for registration of special types of societies or proposals where the by-laws deviate from the model by-laws he is required to obtain prior approval of the Registrar. In Assam, he does not enjoy power to direct amendment of by-laws as also powers relating to investment of funds, utilization of reserve fund, enquiry, inspection, liquidation and appeals. He is, however, vested with powers of registration, approval and amendment of by-laws, division and amalgamation of societies, arbitration and levying of surcharge. Powers relating to registration, approval and amendment of by-laws, enquiry in primary societies, inspection and arbitration have been delegated to the district level officers in Bihar. In Gujarat, the district level officer has been given the same powers as the divisional officer. In Jammu & Kashmir, not only arbitration and execution but also supersession of committees come under the purview of the Assistant Registrars. The powers exercisable by a district officer in Kerala are approval and amendment of by-laws, enquiry, inspection, arbitration, execution and surcharge. Except hearing of appeals, all other powers of the Registrar are vested in the district officer in Madhya Pradesh in so far as they relate to the primary societies which he is competent to register. The exceptions in Madras are supersession of managing committees and liquidation of societies. In Maharashtra, the district officer (Deputy Registrar) exercises statutory powers over societies the area of operations of which is within the district and the authorised share capital of which does not exceed Rs. 5 lakhs. The Assistant Registrars functioning under him are allowed to exercise such powers over societies the area of operation of which falls within their jurisdiction (viz. Revenue *Taluka* or *Talukas*) or such types of societies as are assigned to them and the authorised share capital of which does not exceed Rs. 50,000. In Mysore, the district officer is empowered to register all primary credit societies, farming societies, consumers' stores and salary earners' societies. Powers relating to enquiry, arbitration and execution have been delegated to the district level officers in Orissa and Rajasthan, while in Punjab in addition to these, powers in respect of liquidation and appeals are vested in such officers. The power to hear appeals has been vested in the district officers in Uttar Pradesh. In West Bengal, all the powers of the Registrar except those specified in the Second Schedule to the Act are exercisable by the range officers.

Non-gazetted Staff in the Districts

24. The non-gazetted staff in the Co-operative Department consists in most States of two or three categories. In Andhra Pradesh, Bihar, Gujarat, Madras, Maharashtra, Mysore, Orissa and Rajasthan, there are three tiers of such staff with varying designations. They are designated as Co-operative Sub-Registrar, Senior Inspector and Junior Inspector in

Andhra Pradesh and Madras ; as inspector, Senior Supervisor and Junior Supervisor in Bihar ; as Co-operative Officers Grade I and II and Assistant Co-operative Officer in Gujarat and Maharashtra ; as Senior Inspector, Inspector and Junior Inspector in Mysore ; as Sub-Assistant Registrar, Senior Inspector and Junior Inspector in Orissa and as Inspectors Grade I and Grade II and Assistant Inspector in Rajasthan. The two tiers of non-gazetted staff are Deputy and Assistant Co-operative Officers in Assam; Senior and Junior Inspectors in Kerala ; Senior Co-operative Inspectors and Co-operative Inspectors in Madhya Pradesh and Inspectors Group I and II in Uttar Pradesh. In Punjab, Delhi and Himachal Pradesh, the two categories are designated as Inspectors and Sub-Inspectors. In West Bengal, the only category of non-gazetted executive staff in the districts are Inspectors.

Although in Gujarat and Maharashtra the supervisory staff are shown as attached to Taluka Supervising Unions they are in effect with the Co-operative Department. The number of such supervisors in the two States is 183 and 713 respectively.

Staff at Block Level

25. In most States co-operative officers are appointed to work in Blocks and they are generally designated as Co-operative Extension Officers. In Kerala, the circles within the districts have been realigned in February 1963 to be co-terminus with the Blocks and the administrative inspectors in the Blocks also function as Extension Officers for Co-operation under the control of Co-operative Department.

The Co-operative Extension Officers are drawn from the non-gazetted cadre of the Co-operative Department. However, the rank of the officers working as Extension Officers differs from State to State. In Andhra Pradesh and Madras, Co-operative Sub-Registrars, who form the highest cadre of nongazetted officers of the Department, function as Extension Officers. In Maharashtra, the number and rank of the Extension Officers in each Panchayat Samiti is determined on the basis of its population.

26. The details of co-operative staff in the Panchayat Samitis/ Blocks working in the various States are given below :

<i>State</i>	<i>No. of Co-operative Extension Officers</i>
1. Andhra Pradesh	414
2. Assam	114
3. Bihar	448
4. Gujarat	N.A.
5. Kerala	*
6. Madhya Pradesh	377
7. Maharashtra	N.A.
8. Mysore	189
9. Orissa	255
10. Punjab	N.A.
11. Rajasthan	701
12. Uttar Pradesh	784**
13. West Bengal	191

* The administrative Inspectors function as Extension Officers.

** These are assisted by supervisors.

Appointment of Sale Officers

27. Except in Bihar and Uttar Pradesh, the Registrars in all the States have been vested with powers to execute decrees passed for the recovery of co-operative dues. The question of vesting these powers in the Registrar is said to be under the consideration of the Government in Bihar. In Uttar Pradesh, co-operative dues are recovered as arrears of land revenue on a requisition made by the Registrar to the Collector or through a Civil Court. In States where the Registrars enjoy the power to execute decrees, it is only in Assam, Madras and Mysore that a special staff of sale officers has been appointed exclusively for the execution of decrees. In Assam, the powers of the Registrar in this regard have been delegated to the Deputy Co-operative Officer-cum-ex-officio liquidator in each subdivision. He is called the *Bakijai* officer and has the powers of a Revenue Officer for the purpose of executing decrees. These officers, who number 21, have been provided with an equal number of Office Assistants and 65 process servers and their services have been placed at the disposal of Deputy Commissioners or Sub-Divisional Officers. In Madras, 2 Senior Inspectors and 39 Junior Inspectors have been appointed as Sale Officers while the number of such officers in Mysore is 64.

Co-operative Service

28. There is a distinct and separate co-operative service in all the States except Assam, Bihar and West Bengal. In the last mentioned State, we were informed that it was a part of the 'General Service'. In Assam and Bihar, the creation of a separate cadre for the Co-operative Department is of recent origin, with the result that officers from the State Civil Service have been drawn to work in the Department. Again, in West Bengal, the higher posts in the Department viz., Joint Registrar and Deputy Registrars do not carry separate scales of pay. Officers promoted to these posts are given only a 'special pay' over their pay in the scale of Assistant Registrar. Similarly, in Uttar Pradesh, the posts of Additional Registrars do not carry a separate scale of pay but only a special pay over the grade pay of the Deputy Registrar. From the information made available to us, we observe that there are Class I and II services of gazetted rank in the Co-operative Departments in Gujarat, Madhya Pradesh, Maharashtra, Mysore, Punjab and Uttar Pradesh. Except in Andhra Pradesh, Gujarat and Madras, there are broadly three categories of staff in the gazetted rank generally designated as Joint Registrars, Deputy Registrars and Assistant Registrars. In Andhra Pradesh and Madras, there are only two categories, Joint Registrars and Deputy Registrars. In Gujarat there are no posts of the level of Joint Registrars.

Pay Scales of the Staff of the Co-operative Department

29. In most of the States, the pay scales of the staff of the Co-operative Department at different levels do not, by and large, compare unfavourably with pay scales of corresponding staff of other development departments in the same State. In some States, however, they are lower at certain levels. For instance, the pay scales of Joint Registrars in Andhra Pradesh and Rajasthan; Deputy Registrars in Assam, Gujarat and Rajasthan; Assistant Registrars in Assam, Kerala, Mysore, Orissa and Rajasthan and certain categories of non-gazetted staff in Madhya Pradesh, Madras, Orissa and West Bengal are lower than the scales of pay of the corresponding officers in one or more of the other development departments viz. Agriculture, Animal Husbandry and Industries. In Assam, Mysore and Punjab, the scale of pay of Extension Officers for Co-operation is lower than that of the Extension Officers for Industry, Agriculture or Animal Husbandry.

CHAPTER III

THE REGISTRAR

The role that the Registrar of Co-operative Societies has to play in the promotion and development of the co-operative movement and the personality, status, qualifications, experience etc. that he should possess to discharge his responsibilities have been gone into in the past by various authorities and by committees of enquiry. Calvert in his "Law and Principles of Co-operation" had called the Registrar "the very foundation of the movement". As early as in 1915, the Committee on Co-operation constituted under the Chairmanship of Sir E.D. MacLagan* had expressed its views on the duties to be performed by the Registrar.

Under the Act it is the duty of the Registrar to receive and enquire into applications for registration; to register the bye laws of societies and amendments to them; to audit the accounts or cause them to be audited; to make a valuation of the assets and liabilities of societies, and prepare a list of overdue loans; to see that the Act, rules and bye laws are observed; to make special inspections when called upon to do so; to dissolve or cancel societies and to carry out their liquidation. In order to fulfil his duties he must be continually studying co-operative literature, which is now most extensive; he must make himself acquainted with economic conditions and practices both throughout India and in his own province; he must know the principles and methods of joint stock banking and must examine the systems of developing thrift and inculcating co-operation which have been tried in other countries. He is also head of a teaching establishment and must devise effective means for impressing a real knowledge of co-operation on the bulk of the population. He has further to control a large staff, to draft model bye laws and rules, to collect statistics and write reports, to advise Government on various subjects, and to keep in close touch with the higher finance of the movement as managed by Provincial Banks and Central Banks. In addition to this he must attend conferences, co-operative and agricultural, must keep in constant touch with markets, with honorary organisers and other well-wishers and various departments of Government, and must undertake a certain amount of writing and reading for the official press and for co-operative journals. As Mr. Wolff has put it to us, the Registrars should not be set down as officials, but as guides, philosophers, and friends to the societies, appointed and paid by the State. It must further be remembered that there is no finality in the Registrar's work and he can never feel that it has been cleared off and brought up to date. He will always feel the need of wider reading and of giving more and more supervision and teaching to his societies. New means and methods to attain fresh ends must constantly be discussed and devised. His work is, moreover, highly responsible involving a watch over large sums of

* In the pages that follow we refer to this Committee as the MacLagan Committee.

money deposited by the public and a share in the responsibility for the economic fate of a province. It can well be realised that few officers are entrusted with work more serious or more exacting.

(Chapter V, para 192)

Importance of Post of Registrar

2. In our meetings with the Ministers in charge of Co-operation, officials and non-official co-operators we discussed the question of the degree of importance which is now attached to the post of the Registrar in the different States. It was uniformly the view that the Registrar occupied a crucial position in the co-operative system. The Co-operative Department that he headed was considered as a major department. He is the kingpin in the implementation of the declared policy of the State that development in certain sectors of our economy, particularly rural, should be promoted through co-operative effort. With the consequent diversification of the co-operative movement and the place accorded to it in national planning the responsibilities attaching to the post of the Registrar have very much increased. He is now one of the most important media through which democratic Governments have to give effect to their social and economic aspirations. He has to absorb the ideals of Government and give them concrete shape in consultation with non-official leadership. At the same time, he has to maintain his sense of administrative realism and give correct advice to popular Governments.

Functions of Co-operative Department

3. In the context of the growing responsibilities of the Co-operative Department, it is necessary to have a clear perception of what constitute its functions. Legally, the Registrar is an officer appointed by a State Government to administer the Co-operative Societies Act and to carry out all duties enjoined on him under the Act, such as registration, amendment of by-laws, audit of accounts, inspection of registered societies, enquiry into their working, arbitration of disputes, execution of awards and decrees, liquidation, etc. The Co-operative Department has the duty to ensure that the audit of accounts of every co-operative society is completed within the year succeeding the year to which the accounts relate. Inspection and enquiry have to be conducted in the contingencies prescribed and action taken to get the defects brought out at such inspection or enquiry rectified. In certain conditions, the Registrar has to invoke statutory authority to suspend the committee of management of a society and to make other arrangements to carry on the affairs of the society. Disputes in societies have to be disposed of promptly and the execution of awards and decrees got carried out expeditiously. We are of the opinion that sound development of the movement is inconceivable if these basic functions of the Co-operative Department should get neglected. We would consider that the Co-operative Department has failed in its duty if it does not carry out its statutory functions satisfactorily.

4. At the same time, the successive Five Year Plans have brought to the fore the promotional and developmental responsibilities of the Co-operative Department. As planned development implies the minimization of infructuous effort, it becomes the duty of the Co-operative Department to satisfy itself before a co-operative society is registered—in

whatever sector of economic activity it may be—that it has reasonable prospects of success in co-operative functioning and in its business aspirations. It will also be part of its duties to see that every co-operative so brought into being gets the assistance and guidance needed to develop and to realise its full potentiality. For this purpose, the Department may have to discuss with experts in other departments of Government the conditions obtaining in the business concerned and to make realistic forecasts of the economic prospects of the proposed co-operative with special reference to the quantum of benefits likely to flow to the members. The familiarity of the Department with corporate accounts makes it ideally suited to attempt these exercises at forecasting of business prospects with the help of basic data to be obtained from knowledgeable sources, wherever they may be located. The Department has also to help in designing a framework in which the institution can function satisfactorily without detriment to its co-operative character and the structural requirements of its business. In the process of making the feasibility forecasts mentioned above, the Department should be in a position to indicate the financing arrangements required to be made for setting the enterprise on a good start and to make its proposals to Government as to what part of the initial capital required would have to be provided by the members participating in the enterprise and what part may have to come as assistance from outside sources. Once the preparatory arrangements are made and the co-operative enterprise is launched, the Department has to watch not only that the society and its members discharge the co-operative responsibilities enjoined on them by the by-laws accepted by them at the time of starting the enterprise, but also that the society receives all the assistance it is entitled to under the plan in matters like financing, credit, raw materials, technical know-how, marketing and so on. Much of this assistance or patronage may be within the power of other departments of Government to give but that does not detract from the responsibility of the Co-operative Department to procure for the co-operatives such assistance or patronage from wherever it is available. Even well organized private undertakings have to maintain large liaison establishments to negotiate their way through Governmental restrictions which are an inevitable concomitant of planning. Co-operatives too cannot do without these services. The correct line of development is for federal societies to build up these services. Until they do so, it would be necessary for such services to be provided by the Co-operative Department. The promotional and developmental role of the Co-operative Department can thus be said to consist in its being the co-operative and financial consultant of co-operatives and their liaison agency with all external agencies, including other departments of Government.

Qualifications Required of Registrar

5. It will be seen from the above, that the functions of the Co-operative Department are partly of a specialised character and partly of a managerial or administrative type. The Department is an expert in regard to basic co-operative principles and their application in varying circumstances. Being the only department in a State Government concerned with corporate accounts, it has to play the role of the expert in forecasting prospects of economic feasibility in various types of co-operative activities and in working out their needs for finance and the means of meeting them. The administrative functions arise in the matter of administration of the law and the rules and in supervising the observance of accepted canons of co-operative functioning. The managerial function comes into play in the

discharge of the liaison responsibilities referred to above. The capacity to communicate adequately and rationally the requirements of the co-operatives to others and *vice versa* is an essential part of the managerial function.

6. The serviceability of a department of Government depends considerably on the equipment and calibre of its head. The Registrar has hence to be an officer who combines in himself the experience of a mature administrator, the faith of the co-operator, the familiarity with corporate accounts of a financier, the ability of a manager to identify the basic elements of a business as well as a flair for communication all-round, which includes the capacity to be in tune with the thinking and aspirations of public workers.

Appointment of Registrar

7. The selection of the officer to hold the post of Registrar assumes considerable significance in the light of what we have outlined as the essential qualities required in a Registrar.

8. The post of Registrar is borne on the I.A.S. cadre in all States except in Jammu & Kashmir and Uttar Pradesh. Ordinarily, it has been the practice to appoint I.A.S. officer of medium seniority to the post. In Madras, however, three officers of the Department have since the attainment of independence been appointed as Registrar, two of whom were later absorbed in the I.A.S. cadre. The present incumbent is also a departmental officer whose absorption in the I.A.S. has been recommended by the State Government. In Andhra Pradesh, the post was decadred during the last ten years in favour of three departmental officers. In Mysore, departmental officers are appointed to the post as a purely temporary arrangement, during intervals usually not exceeding three months, between the transfer of one I.A.S. officer and the posting of another. In Uttar Pradesh, the reservation of the Registrar's post to I.A.S. officers was withdrawn in 1952, but in fact no departmental officer has held the post since the reservation was withdrawn. In Jammu & Kashmir, the post of the Registrar is not borne on the I.A.S. cadre although the present incumbent has been drawn from the I.A.S.

9. The question whether the post of Registrar should remain on the I.A.S. cadre was discussed by us with Ministers, officials and non-official co-operators whom we met during our visits to the different States. Opinion on this issue was not unanimous. It may be useful to set forth the various points of view put forward. It was urged that if the Registrar was to be able to secure the co-operation of various other development departments and other branches of administration it would be an advantage if he was drawn from the I.A.S. cadre as was the case with the heads of several other development departments. It was pointed out that the varied experience which an I.A.S. officer generally acquired in the course of his service, would enable him to bring to bear upon the discharge of a Registrar's functions an independent and broad outlook which an officer who had worked only in the Co-operative Department might not ordinarily be expected to possess. On the other hand, there was a strong section which was against the practice of appointing only I.A.S. officers to the post. It was argued that a Registrar to be able to discharge his work efficiently should be one who had acquired several years of experience in

the Department. The view was also expressed that the claims of officers of the Co-operative Department who had done outstanding work should not be overlooked. Further, it was suggested that in view of the comprehensive scope of the work of the Department, a post in the I.A.S. should be reserved for an officer of the Co-operative Department in the 15 per cent quota earmarked for non-revenue officers within the 25 per cent promotion quota in the I.A.S. cadre. Having been drafted into the I.A.S., that officer might be given suitable training in other departments before he was asked to assume charge as Registrar. Only when no officer from the Department of the requisite calibre was available, should an I.A.S. officer be considered for appointment to the post.

10. We have given careful consideration to all the points of view presented to us. In our opinion, the requisite administrative experience is ensured, by and large, by keeping the post of the Registrar on the cadre of the I.A.S. Performance of the liaison duties of the Department to which reference has been made above would also be facilitated if the Registrar is an officer of the I.A.S. It has to be recognized that in the present circumstances the status and prestige of an officer belonging to the I.A.S. should stand the Co-operative Department in good stead in carrying on work which involves dealing with other departments of Government and with other public agencies. Moreover, the I.A.S. officers on account of their academic background, varied experience and relative youth are generally speaking likely to be more responsive to new ideas and new situations than officers who have spent their entire official career in the Co-operative Department. They may, therefore, prove more equal than departmental officers in devising what the MacLagan Committee referred to as the "new means and methods to attain fresh ends." In the context of planning, a dynamic approach is of the essence, and such approach, we consider, might be better assured by keeping the post of the Registrar on the I.A.S. cadre than otherwise.

11. So far as departmental officers are concerned, it could justifiably be assumed that they would have developed the necessary interest in co-operative ideology, and that they would have acquired the necessary expertise in handling accounts as well as in co-operative law and practice. They would thus be well equipped to deal with co-operative problems. One cannot be so sure, however, about their responsiveness to new ideas and new situations. Because of the limited sphere in which they have worked they may not find it easy to put across ideas and problems to authorities outside the movement and be effective in securing assistance to the co-operatives from such authorities. They would ordinarily lack the varied experience and status associated with the I.A.S.

12. This is not to say that any I.A.S. officer will fill the bill. We have referred to the importance of the Registrar's understanding of and faith in co-operative principles. Instances are not wanting of I.A.S. or I.C.S. officers having gone through their tenure as Registrars without sufficient faith in or sympathy with the co-operative ideology. Before an I.A.S. officer is selected for the Registrar's post, it is necessary to see whether he is temperamentally in tune with the aims and objects of the movement. The aptitude for understanding the salient features of different types of business activity and for being effective in building up relations with non-officials is also an essential qualification that should be possessed by him.

13. There is no better way of testing whether the above criteria are satisfied than by having a number of I.A.S. officers taken through the mill of the Co-operative Department in the same way as they are taken through postings in districts and in the secretariat. How they fare in the Co-operative Department should be watched and noted. Under this system the State Government is assured of a fairly reasonable choice of I.A.S. officers who have acquired co-operative experience. A person who has the necessary total experience to his credit and who has shown reasonable promise of satisfying the tests of temperament, aptitude and expertise mentioned above can, then, be selected to fill the post.

14. We realise that equipping a number of I.A.S. officers with co-operative experience will take time even if the State Governments begin implementing our recommendation without delay. It may be about ten years before each State could reach a position when at any time it has five or six I.A.S. officers tested in the Co-operative Department, from among whom it could select its next Registrar. Meanwhile, some *ad hoc* arrangements will be necessary. We totally disapprove of I.A.S. officers being chosen as Registrars with no prior experience in the Co-operative Department. Even though authoritative opinion has all along been stressing the need for previous training for those to be appointed as Registrars, in many States this has not been given the consideration that it deserves. Only in Punjab, there appears to have prevailed the practice of appointing an I.A.S. officer as Joint Registrar at headquarters to begin with, and to promote him to the post of Registrar when the latter falls vacant. We would recommend this practice to other States as an interim way out, until such time as the arrangement we have recommended of getting a number of I.A.S. officers acquire co-operative experience has been in operation long enough to give the opportunity to the State Government to make its selection from among more officers than one with experience in the Co-operative Department. Well before the present incumbent of the post of Registrar is due to be transferred to some other post, arrangements should be made to appoint another I.A.S. officer of the requisite seniority as Additional Registrar or Joint Registrar. Such an officer should get training for a period of at least 1½ to 2 years before he steps into the post of the Registrar.

A problem incidental to prior training of I.A.S. officers in the Co-operative Department was brought to our notice. We were informed that in some States, I.A.S. officers were reluctant to get posted to the Co-operative Department as Additional or Joint Registrars since these posts did not carry special pay which they would have got if they joined some other departments or one of the secretariat departments. We would recommend that such disincentives, wherever they exist, should be removed. The post in the Co-operative Department should be made as attractive as comparable posts in the other departments.

If in any State, the present incumbent to the post of Registrar is due to complete his tenure shortly and it is found that there is no I.A.S. officer available who has had prior training in the Co-operative Department, we would recommend that the State Government should make a selection from among senior officers of the Co-operative Department. If an officer with the requisite experience and competence is not available, the alternative we recommend will be to extend the term of the present incumbent until a suitable I.A.S. officer is available.

15. While we consider that departmental officers should be eligible for being posted as Registrars, it may be an advantage if they are recommended for being appointed to the I.A.S. We recommend this not only because their inclusion in the I.A.S. will confer on them the status required to carry out effectively such functions as involve contact with other departments of Government, but also because such officers, after their promotion to the I.A.S. may be able to get experience outside the Co-operative Department, which may widen their outlook before they get appointed as Registrars. In this connection, we are inclined to view with favour the suggestion that has been made to us that the percentage of the promotion quota in the I.A.S. cadre earmarked for officers other than those of the Revenue Department should be increased from the present level of 15 per cent so that officers of the Co-operative Department may have some chance of promotion into the I.A.S. We would also endorse the suggestion that even under the present conditions at least one of such promotions should go to the Co-operative Department. Not being in the full know of the circumstances underlying the fixation of the non-revenue quota at 15 per cent of the total promotion quota and the considerations that weigh with the Governments in selecting officers for promotion from the different departments, we are not in a position to make any detailed proposals in respect of the suggestions we have received. We would, however, plead that the Co-operative Department's share in the promotion quota in the I.A.S. cadre should be at least proportionate to its relative strength in Class I officers and above (permanent as well as temporary) as compared to the total of such posts in all the State services which are at present considered at the time of filling the promotion quota in the I.A.S.

Status of the Registrar

16. For the discharge of the very exacting and onerous duties to be performed by the Registrar, the officer appointed to the position should be one who has at least 12* years' standing in the I.A.S., including about two years in the Co-operative Department. While this should be the minimum, the actual length of experience to be prescribed in each case will depend upon the status that the post of Registrar is accorded in the overall hierarchy of the Government machinery of a particular State. With regard to the status, the Co-operative Planning Committee (1946) had the following observation to make on the subject :

In view of the responsible nature of the duties of the Registrar, he should enjoy a higher status than he does at present; in our opinion he should rank with the heads of such departments as Police and P.W.D. for general purposes. (Chapter XV, para 3)

17. Our enquiry revealed that in most States the persons appointed to the post of the Registrar had more or less the same status as that of the heads of other development departments viz., Agriculture, Forest, Veterinary and Industries. In one State, the post was placed on a par with that of the Secretary to Government in that it carried the same amount of special pay. In another State, however, we observed that the post of the Registrar which was not borne on the I.A.S. cadre carried a lower scale of pay than the corresponding posts in the Agriculture and Industries Departments. In a third State, the Registrar was of the rank of a Deputy

* This period would not apply to co-operative departmental officers who are absorbed in the I.A.S.

Secretary while the Director of Industries and the Excise Commissioner were of the same status as that of a Secretary. In the Union Territory of Delhi, the Development Commissioner was the ex-officio Registrar, occupying a status higher than that of the heads of other development departments.

18. We consider that if the post of the Registrar is to attract the right type of officer and if the Registrar is to be effective in his dealings with other development departments, his status should, in no case, be lower than that of any of the heads of other development departments. If in any State, the head of the Industries Department or the head of the Agricultural Department is considered important enough to be ranked equal to a Commissioner's post, we would recommend that in that State, the status of the post of Registrar should also be equated to that of a Commissioner. In most States, however, the heads of major development departments are likely to rank equal to or nearly equal to Secretaries to Government. Where such is the case, our recommendation is : (i) that in the States where the posts of Secretaries to Government are not super time scale posts, the status of the Registrar should be equated to that of a Secretary to Government and (ii) that he should not rank lower than any other head of a development department. Wherever one or both of these conditions are not satisfied, we recommend that the position may be set right as early as possible. As special pay is usually taken to be an indicator of status, our recommendation implies that the special pay attached to the post of Registrar held by an I.A.S., officer should not be less than either the special pay fixed for the post of Secretary to Government or of any other head of a major development department.

It has been suggested to us that if the Registrar is to be enabled to do justice to his job he should be the highest official in the administrative hierarchy next only to the Chief Secretary. While there is force in this suggestion, we are not sure whether it will be feasible in all States. We, however, consider that it would be an advantage if the post of the Registrar is elevated to the status of a Commissioner in States where the co-operative movement has attained wide ramifications covering many aspects of economic activity.

Tenure of Office

19. If the officer appointed as Registrar has to formulate policies and to see that they are executed successfully he should be retained in the post for a reasonably long term. According to the Royal Commission on agriculture :

a Registrar, once appointed and proved efficient, should not be transferred from the post until the full benefit of continuity of policy has been assured. The minimum period during which he should hold the appointment should not be less than five years, on the assumption that he has already had two years service as Assistant or Joint Registrar, and the maximum not more than ten. Within these limits, it should be possible, on the one hand, to gain the advantage of long experience and on the other, to avoid committing the movement for longer than would be prudent, to the charge of a single individual. If, during his period of office, the time should come when the Registrar would, in the normal

course, be promoted to some higher post such as that of a Commissioner of a division we consider that he should retain his appointment with the emoluments and position of the higher rank.
(Chapter XIII, para 376)

The Committee on Co-operative Planning also shared this view but recommended that the tenure of the Registrar should be for about ten years. This was supported by the Committee of Direction of the All-India Rural Credit Survey.

20. Sir Malcolm Darling expressed the view that Registrars should not be transferred under at least three years, and in general, not for five years or more*. Seeing in the course of his visits to various States that there was a rapid succession of Registrars, he observed that with such constant changes there could be no continuity of policy and action. When one Registrar rapidly succeeded another, the experienced leadership that the movement needed more than ever might be lacking, as indeed he found in more than one State he visited.

21. The question of the tenure of the Registrar has thus been engaging the attention of Committees and others who have in the past gone into the question of co-operative administration. It has been repeatedly emphasized that the progress of the movement would not be maintained if the Registrar was changed very often.

22. Our enquiry revealed that in one State, four officers have held the post during the past ten years and in another five officers during the last fourteen years. In the latter State, we found that during the pre-Plan period the usual tenure was 1 to 2 years. Since 1952, however, it has not been less than 4 years. In yet another state, the period varied from less than a year to more than four years. The short tenure in the State was attributed to the lower status (of Deputy Secretary's rank) enjoyed by the Registrar as compared with the Director of Industries and Excise Commissioner (of Secretary's rank) with the result that when the officer posted as Registrar became due for promotion he was transferred. A State which came into being only 3 years ago is now having its second Registrar. In one State, six officers were appointed as Registrars during the last fifteen years, three of whom alone were retained in the post for four years or more. In another, seven officers were appointed to the post during the past fifteen years. Two of these were kept in the post for three to four years and three others for about two years. During the same period as many as nine officers have held the post in yet another State. In one State the tenure was generally very short, as 10 officers have held the post between 1947 and 1962, three of them for less than six months and only two for over three years. In another State, though the present Registrar was appointed early in 1959, there were prior to him as many as seven changes during a period of 12 years. Only one of them had been in the post for over three years.

23. In our discussions with senior officials of Governments, we were informed that transfers of I.A.S. officers could not be avoided and had to be effected in the exigencies of public service. Most often, the officer had to be shifted as he became due for promotion.

* Report on certain aspects of co-operative movement in India, Part IV, para 67.

24. We have emphasized earlier that considerable thought has to be bestowed on the selection of an officer to hold the post of the Registrar and we have also detailed the steps to be taken by Government for this purpose. If after going through this process, a situation should arise where the officer appointed to the post has to be transferred merely because he is due for promotion, all the efforts that have gone in selecting and training the officer to the post will have been wasted. We consider that if situations of this nature should arise, the status of the post should be upgraded for the remaining part of the tenure of the officer, so that the officer while continuing to be the Registrar gets the benefit of the post to which he was due for promotion. This may not be an easy solution and there may be some difficulty in implementing it. We consider, however, that such difficulty is not insurmountable. It should be the aim of State Governments to maintain continuity in the functioning of the Co-operative Department. To ensure this, they should so fix the status of the post of Registrar that the likelihood of frequent upward transfers is obviated to a large extent. Even where such transfers would be otherwise unavoidable, these could be avoided by resorting to the expedient of the temporary upgrading of the Registrar's post as suggested by us. We should like to emphasize that an officer once appointed as Registrar and found suitable should remain in the post for not less than 3 years and, preferably, for a period of 4 to 5 years. This period that we have recommended will be exclusive of the qualifying period of training or understudy that we have recommended earlier.



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CHAPTER IV

STRUCTURE OF CO-OPERATIVE DEPARTMENT

We have given in Chapter II a descriptive account of the structure of the Co-operative Department in the various States. In Chapter III we have outlined what we believe are the functions of the Co-operative Department and in the light of these functions, we have dealt with the qualifications, appointment, status and tenure of the head of the Department viz., the Registrar in the present context of planned development. We deal in this chapter with the broad principles governing the organizational set-up of the Department under the Registrar and the methods of its functioning from the point of view of securing that the functions devolving on the Co-operative Department and the Registrar are adequately discharged.

Set-up at the State Headquarters

2. We have indicated in Chapter II that the Registrar is generally supported at headquarters by a number of functional assistants of gazetted status. Within the spheres of work allotted to them, these officers are expected to speak with the authority of the Registrar, so far as the field organization is concerned. It follows, therefore, that their status should in no case be lower than that of the highest among the field officers with whom they have to deal. The functional officers have thus to be at least Class I officers though they may themselves be assisted by Class II officers in their day-to-day work. These officers are expected to help the Registrar in the formulation of policy pertaining to the fields allotted to them. This function can be expected to be discharged adequately only by officers who have acquired some experience in the higher echelons of the departmental hierarchy. We would, therefore, recommend that the functional advisers of the Registrar at headquarters should be officers of the status of Joint Registrars.

Their number will naturally depend upon not only the existing workload on the department which will vary from State to State, but also on the new programmes proposed to be taken in hand. It will be of interest to indicate the recommendations in regard to functional officers at headquarters made by the Mysore Conference of State Ministers of Co-operation held in July 1959.

In working out the proposals an effort should be made to provide at headquarters of the Registrar functional specialists for important activities such as :

- (i) marketing,
- (ii) processing units, sugar factories and others,
- (iii) statistics,
- (iv) banking,
- (v) industrial co-operatives,

(vi) consumers co-operatives (Page 91)

The Ministry of Community Development and Co-operation has advised all States to appoint one officer of the status of Joint Registrar for each of the schemes of Co-operative Farming and Consumer Stores. The cost of the officer in respect of the latter scheme is borne entirely by the Centre and is outside the State plan ceilings. Most of the States have appointed Joint Registrars for implementing the scheme.

3. We consider that irrespective of the size of a State, there should be a Joint Registrar each for (i) audit, (ii) banking and credit, (iii) co-operative marketing and processing of agricultural produce, and (iv) industrial co-operatives. For the somewhat difficult programmes like (v) co-operative farming and (vi) consumers' co-operative stores, there may have to be one Joint Registrar each as recommended by the Ministry of Community Development and Co-operation. In States where the sector of co-operative processing has developed or is likely to develop to a significant extent, it may be necessary to have a separate post of Joint Registrar to deal with that subject. All these functional advisers will need to be provided with adequate assistance of lower gazetted and ministerial staff. This leaves out the following: co-operative law, establishment matters, accounts, plan co-ordination, statistics, administrative supervision of lower officers, co-operative development in other sectors like animal husbandry and dairying, fisheries, forestry, labour construction, transport, housing, irrigation, soil conservation etc. Whether some additional posts should be created for attending to these subjects or whether they should be joined to the functions of the above mentioned six or seven Joint Registrars with suitable additional assistance provided to them will depend upon the circumstances prevailing in each State.

4. So far as technical expertise is concerned, it would be impractical to provide for it wholly within the Co-operative Department. It would be inadvisable to leave out of account the advice and assistance of top level expertise already available in other departments of Government and to try to build up a substitute for it within the Co-operative Department. There may, however, be certain limited areas within which the technical competence required may be located in the Co-operative Department with the concurrence and active support of the technical departments concerned. The services of persons required therefor should be obtained on loan from the departments concerned. They should function purely as technical consultants within their limited fields, assisting the functional advisers concerned and the field staff wherever necessary. While it would be an advantage to give such officials a co-operative orientation, we would not advise their being invested with powers under the Co-operative Law. The broader issue as to whether or not technical departments should assume charge of the co-operatives in their respective fields is dealt with in the next Chapter.

Divisional Offices

5. Opinion expressed to us was divided on the question whether there should be a divisional officer in between the headquarters and the district staff. In Chapter II we have briefly described the set-up of the divisional offices wherever it exists in the different States. We have observed that except in Maharashtra, the functions delegated to the divisional

offices are mainly of an administrative nature. For most of the proposals emanating from the districts and requiring orders at a higher level, the divisional offices perform only a recommendatory function.

We are of the opinion that the case for divisional offices, if any, rests not on the need to have a second look at the district officers' proposals before final orders are passed on them at headquarters, but on the following opportunities they provide of :

(i) co-ordination with other departments of Government if these also are organized on a divisional basis,

(ii) having a senior officer near at hand to the district officers for the purpose of inspecting their day-to-day work and giving guidance to them, and

(iii) having an officer who from the point of view of the public is nearer than the headquarters and can exercise powers under the Act which are beyond the authority of the district officers.

6. In States where divisional offices of the Revenue Department have been established for a sufficiently long time, it can be taken to be reasonably established that the size of the State, means of communication available therein etc., are such as would require a divisional machinery for securing efficient administration in the Co-operative Department also. In those States, we recommend that divisional offices of the Co-operative Department should also be created with identical jurisdiction. In other States, we would advocate divisional offices in the Co-operative Department only if : (i) other development departments have found it necessary to have a divisional set-up, and (ii) the establishment of divisional offices in the Co-operative Department would to a significant extent (a) facilitate the work of administrative supervision over district offices and (b) provide to the public in the districts a more accessible recourse for dealing with co-operative matters than the headquarters of the Registrar. In such States we would recommend that the jurisdiction of the divisional offices may be so demarcated that each divisional office has a charge of about 5,000 societies as recommended by the Conference of State Ministers of Co-operation held in Mysore in July 1959.

7. We consider that divisional offices created merely to perform the three broad functions mentioned in paragraph 5 are likely to remain isolated to some extent from the main stream of the work of the Department, if proposals originating from the district officers and requiring orders at higher levels are to go direct to the headquarters as a measure of avoiding delays. The solution lies in entrusting the divisional officers with powers to pass final orders on as many of such proposals as possible, without their having to go further to the headquarters.

8. While the functions that may be delegated to divisional offices where they are set up, will depend upon several considerations, e.g. the stage of development of the co-operative movement, the workload on the headquarters, the status of the officer posted in the division etc., in our opinion the following functions can conveniently be delegated to divisional offices :

Administrative

- (i) Supervision and control over district offices ; inspection of offices at least once a year.
- (ii) Approval of tour programmes and scrutiny of tour diaries of district officers.
- (iii) Inspection of a few primary, district and regional societies at frequent intervals to gain first hand knowledge of the working of societies and generally to guide the work of district and lower officers.
- (iv) Annual inspection of societies in the division having jurisdiction exceeding one district.
- (v) Appointment and transfer of prescribed categories of non-gazetted staff.
- (vi) Grant of casual leave to district officers.

Financial

- (i) Exercise of financial control over the expenditure in the district offices in the division.
- (ii) Sanction up to prescribed limits of ordinary non-recurring contingent expenditure.

Statutory

- (i) Exercise of all powers of the Registrar under the Co-operative Societies Act except those reserved for being exercised only by the Registrar.
- (ii) Hearing of appeals against the decisions of district or lower officers.

9. A large number of references originating from district offices and requiring orders at a higher level pertain to the sanctioning of financial assistance to co-operatives under various plan schemes. Where the pattern of assistance is simple and well-defined as also where the conditions under which it may be given are laid down, it may be possible to delegate to the divisional officers some of the powers of the Registrar in this regard within certain prescribed limits. Where State Governments consider that this function can be decentralized, this could be an additional function of the divisional officer.

10. The status of the officer posted in the divisional office will naturally have to be higher than that of the highest officers of the Co-operative Department in the districts. Whether this should be equal to that of the functional specialists at the headquarters or should constitute a somewhat lower level in the administrative hierarchy in between the highest level of district officers and the level of the Joint Registrar, is a matter which may be examined by each State with reference to its conditions. Where certain powers of sanctioning financial assistance as noted above are also delegated to the divisional officers, it will be desirable to make the post of divisional officer equal to that of the functional specialists at headquarters viz., a Joint Registrar.

11. For the discharge of the functions that we have suggested earlier, the divisional officer should be given the assistance of a gazetted officer with the necessary ministerial staff. The posting of a gazetted officer at the divisional office will facilitate the work of the divisional office being attended to when the divisional officer is on tour.

12. An apprehension was expressed that if wide powers were vested in the divisional officers it would lessen the contact of the Registrar with the co-operative movement in the districts. While the need for the Registrar remaining in close touch with the movement is undoubted, it must be recognized that the various schemes of co-operative development drawn up under the Plans have thrown up a considerable volume of routine administrative work specially in regard to the sanctioning of financial assistance under various plan schemes. If the Registrar and his functional advisers at headquarters are to have enough time for the formulation of policies and for direction of their implementation on proper lines, the maximum possible delegation of comparatively routine functions to divisional offices would appear to be unavoidable. The Registrar should be able to maintain close touch with the movement by making suitable arrangements for the submission of periodical returns, reports etc., to keep him and his functional advisers posted with the up-to-date developments in the different sectors and aspects of the movement in the districts. By delegating routine functions to officers at lower levels, the Registrar and his advisers would perhaps get more time and opportunity to tour round the districts and thus to keep themselves in closer touch with the movement than if most of their time was to be taken up in attending to routine work at headquarters.

Arrangements at the District Level

13. In the matter of setting up of district officers we are in general agreement with the recommendations of the Conference of State Ministers of Co-operation held in Mysore in 1959 viz., that for every 500 co-operatives of all types there should be one district co-operative officer of the rank of Assistant Registrar Gazetted Class II. When the number of societies in a district exceeds 800, an additional Assistant Registrar should be provided. In pursuance of this recommendation, circle or range offices have been created in most States. In Madhya Pradesh and Rajasthan, however, circle offices have not been created, but the work of the district is attended to on a territorial basis by the officers stationed at the district headquarters, with a common staff. In the States where districts have been split into more than one circle, the officers posted in the circles function independently, and there is no co-ordinating agency at the district level. This deficiency is specially felt in regard to matters such as attending meetings of the central bank, the district co-ordination committees, and other district-wide institutions. In some States, all the officers attend such meetings. On occasions, however, this can lead to embarrassing situations. We consider that as a logical sequel to the norm recommended by the Mysore Conference, it would be an advantage to have an officer who could represent the Co-operative Department so far as the district as a whole is concerned in its dealings with other departments of Government at the district level as also with federal and district level co-operative institutions. This officer should, in our opinion, be also in charge of one of the circles in the district in addition to keeping himself in touch with the work of the other circle officer or officers. For the discharge of

these functions, we consider that the co-ordinating officer should be higher in status than the other circle officers. It may be desirable to make this a Class I post as against the Class II status of the circle officer. In districts where the number of societies is less than 800 and the creation of two circles has not been found necessary, there would logically be no need to post an officer of a status higher than that of a circle officer as the district in-charge. It may, however, be administratively more appropriate to appoint in such districts also an officer of the status of the co-ordinating officer recommended by us for other districts so as not to make any invidious distinction so far as relations with district level institutions and district officers of other departments are concerned.

14. In districts comprising more than one circle and where there is a sufficiently large number of particular type of co-operative societies e.g. industrial co-operatives, it may be possible to entrust the latter on a functional basis to one of the circle officers under the co-ordinating officer. This will mean that so far as the societies of the special type are concerned, the whole district will become a circle. This will necessitate the readjustment of the jurisdiction of the other circle or circles into which the district would have been divided but for the functional separation.

15. The officer posted in a district is the 'key man' in the administrative set-up of the Co-operative Department. He has to organize, develop and supervise a variety of co-operative societies under his jurisdiction and to create the necessary atmosphere for the sound growth of the movement in the district. Moreover, it is his initiative, resourcefulness and tact that considerably influence the creation of that atmosphere. For the discharge of the various functions, statutory and developmental, entrusted to him, he should be given the assistance of adequate field and ministerial staff. For supervision over societies the arrangements we contemplate are given later. Whether supervision is conducted by departmental personnel or by the staff maintained by federal institutions like central financing agencies, the circle offices will have to remain in close touch with it with a view to seeing whether in any particular case statutory intervention of the Department is called for or the Department's liaison services are sought to meet any business difficulty that has been encountered. The District Officer will also have to deal with complaints on the working of the societies. For dealing with these and other tasks, the Co-operative Extension Officers in the blocks or Panchayat Samitis (the arrangements in regard to which we deal with in Chapter XI) have to be utilized to the maximum extent possible. There will, however, still remain certain items of work, that cannot be entrusted to extension officers. For dealing with these, we recommend that the circle officer should be given the assistance of at least two Inspectors of the senior category.

Co-operative Service

16. It will be observed that our recommendations relating to the structure of the Co-operative Department will entail the creation of a Co-operative Service in the gazetted rank with 4 levels as follows :

- (i) the lowest gazetted officer in charge of a circle;
- (ii) the next higher category in charge of a district as a whole;
- (iii) the next higher category in charge of a division in States where there are divisional offices; and

- (iv) the functional specialists at the headquarters of the rank of Joint Registrar.

As a measure of uniformity, we would suggest the following designations and gazetted status for them :

- | | | |
|-------------------------|---|---|
| (a) Assistant Registrar | — | Class II |
| (b) District Registrar | — | Class I |
| (c) Deputy Registrar | — | Class I—Higher Grade |
| (d) Joint Registrar | — | Class I—Selection Grade
or Super time scale. |

The actual status (as well as emoluments) to be accorded to posts at each of these levels in a State will have to be such that it is in no way inferior in comparison with corresponding posts in other major development departments. It is possible that in some States an officer in category (iii) above may be of the same rank and status as one in category (iv) i.e. Joint Registrar if a significant part of the functions of the headquarters relating to sanctioning of assistance under the plan schemes is delegated to the divisional officers.

17. Below the circle officer we broadly envisage two tiers of field staff whom we designate as Inspectors Grade I and Inspectors Grade II. Where supervision over primary credit societies is with the Department, the 'supervisor' will constitute the third level in the non-gazetted service, being slightly lower in status and emoluments than the Inspector Grade II.

18. For the discharge of office work in the divisional and district offices adequate ministerial staff will have to be provided. As the provision of such staff is regulated by standards laid down by State Governments, we do not propose to go into the requirements in detail.

Appointment of Sale Officers

19. We have in an earlier chapter referred to the provision in the Co-operative Societies Act empowering the Registrar to execute decrees for recovery of co-operative dues. We have also referred to the fact that although such a provision already exists in the Co-operative Societies Act in most States, special and separate staff for the purpose have been appointed only in two or three States. The question of appointment of special staff for discharging this function was gone into by the Committee on Co-operative Credit which recommended as under :

We recommend that steps be taken to amend the Co-operative Societies Acts where necessary so as to vest in the Registrar also the power to execute decrees passed for the recovery of co-operative dues. Further, we recommend that the Registrar be given sufficient and special staff for this purpose. It is necessary to ensure that the procedure for recovery prescribed under the Civil Procedure Code is strictly observed by the staff appointed by the Registrar and, therefore, it will be desirable to train the staff in this respect and to place it under a senior and experienced Judicial Officer who may himself be attached to the office of the Registrar.

(Chapter XV, para 5)

20. It was urged before us that if the overdues in co-operatives had to be brought down it would be necessary for the Department to have staff who could take prompt action against wilful defaulters. It was also suggested that the scale of two sale officers for each taluk should be adopted. We do not consider that staff of this order would be necessary everywhere. The needs of each area with reference to the quantum of work involved will have to be worked out and necessary staff provided. We are of the view that it would be an advantage to borrow for this purpose staff from the Revenue Department. We would also reiterate the recommendation of the Committee on Co-operative Credit and urge that steps should be taken to amend the Co-operative Law in States where this has not been done so as to vest in the Registrar the power to execute awards passed for the recovery of co-operative dues. We are impressed with the need for this in view of the rising trend in overdues in many parts of the country.

Staff for Liquidation Work

21. We observe that there is a large number of societies under liquidation. According to the Statistical Statements published by the Reserve Bank of India, there were 16,606 societies under liquidation at the beginning of the year 1960-61 of which proceedings in respect of 12,110 were pending for 2 years and over. During the year, 4,392 societies were brought under liquidation. Only the affairs of 2,151 societies were finally wound up in the year leaving a balance of 18,847 societies at the end of the year. We observe that the disposal of this work has been poor in many States. For instance, in one State, against 1,795 societies under liquidation at the beginning of the year 1961-62 and 477 brought in during the year, only 553 were finally wound up. In another State, 1,418 societies were under liquidation at the beginning of the same year. To these were added 305 during the year, but only 203 societies were finally wound up. We were informed that progress in liquidation proceedings was slow since no special staff had been sanctioned for the purpose. When an Inspector is put in charge of liquidation as well as other functions, the former is apt to be neglected. We consider that it is possible that this function may be delegated to central financing agencies in so far as it relates to societies in which they have a financial stake. Where this is not feasible, it will be necessary for the Co-operative Department to maintain staff for the purpose. In such circumstances, there should be separate staff of Inspectors Grade I to deal exclusively with liquidation work. The number of Inspectors to be appointed will depend upon the type of societies under liquidation, the assets that will have to be collected, etc. We consider that the work can be speeded up if the Department maintains staff at the rate of one Inspector for every 20 societies under liquidation or for every Rs 5 lakhs of liabilities to be discharged by societies under liquidation. When the back-log is cleared and the number of societies under liquidation is brought down, the staff so appointed can be diverted to other purposes.

Delegation of Statutory Powers

22. We have outlined in Chapter II the manner and extent to which the powers of the Registrar under the Co-operative Societies Act have been delegated to officers at different levels. We do not propose to lay down any hard and fast rule in the matter of delegation of statutory

powers, for much will depend upon the condition of the co-operative movement, the workload, the status of officers, the extent of non-official leadership that has developed in the State and similar factors. The degree of delegation of powers to officers at different levels can be greater in States where the Co-operative Department has drawn up a set of model bylaws and issued suitable administrative instructions in regard to exercise of various functions devolving on the Department under the Act. We would, however, emphasize that the delegation to be made should be on a rational basis, the importance and extent of powers delegated to officers at lower levels being in conformity with the responsibilities which they are entrusted with in the departmental administration. It would be desirable, in our opinion, to vest in officers at higher levels, those powers where quasi-judicial decisions have to be taken or action initiated that has public repercussions. In regard to such powers, the officers at lower levels will be ill-suited ; they may either exercise the powers without giving sufficient thought to likely repercussions or feel diffident in exercising them. It will be a sound policy to retain such powers with the officers at headquarters. At any rate, such powers should not be delegated below the level of divisional officers. We consider that the following powers should necessarily be retained by the Registrar himself :

- (a) the power to direct amendments to by-laws by general or special order;
- (b) to supersede committees of societies;
- (c) to sanction the institution of any prosecutions under the Act;
- (d) to levy surcharge; and
- (e) to order liquidation of district level and higher institutions.

Power of Inspection

23. The Committee on Co-operative Law while reviewing co-operative legislation in different States noticed that besides conducting inspection as statutorily provided it was customary for the Registrar or the persons authorised by him, to inspect co-operative societies periodically. The Committee, therefore, considered it desirable to give statutory recognition to the latter practice and provided in the model Co-operative Societies Bill as under :

The Registrar may of his own motion, or on the application of a creditor of a co-operative society, inspect or direct any person authorised by him by order in writing in this behalf, to inspect the books of the society. (Part I, page 91)

The Committee on Co-operative Credit endorsed this suggestion and observed that it would be necessary to vest in the Registrar by statute the power of inspection. We observe that in pursuance of these recommendations, some State Governments have amended their Co-operative Societies Act suitably and incorporated the foregoing provision in the Act. In the Co-operative Societies Acts of the States of Assam, Bihar, Jammu & Kashmir, Madhya Pradesh, Madras, Mysore, Orissa, Punjab, Rajasthan, Uttar Pradesh and West Bengal and the Union Territories of Himachal Pradesh and Manipur, there is provision for the Registrar to undertake inspection of a co-operative society on his own motion. We have been informed that in Maharashtra, steps are being taken to get the Co-operative Societies Act suitably amended in this respect. We suggest that the remaining States may also initiate action to get their Acts suitably amended.

CHAPTER V

DIVISION OF DEPARTMENTAL MACHINERY

Beginning almost exclusively with agricultural credit, Co-operation in India has ramified in diverse directions. Although credit (including non-agricultural credit) still predominates, there are now a substantial number of societies concerned with other economic activities. Although the position varies from State to State, the overall picture as on 30 June 1961 may be gleaned from the following table :

<i>Type of society</i>	<i>No. of societies</i>	<i>Membership in thousands</i>	<i>Working capital (Rs. lakhs)</i>
Credit societies (agricultural and non-agricultural)	2,34,428	2,42,24	10,29,67
Industrial co-operatives	33,235	25,46	44,42
Co-operative milk supply societies	3,294	2,54	4,41
Co-operative Sugar-cane supply societies	9,172	24,24	8,54
Fisheries societies	2,355	2,40	1,67
Other non-credit societies	50,004	55,06	2,23,38

2. If the co-operative sector has to play an effective role as a balancing factor between the private and public sectors, there has to be an increase in the co-operative content in various economic fields. Special impetus has to be given for achieving this end as is being done under the plan programmes. This poses the question whether co-operative societies of all types should be under the administrative purview of the Co-operative Department or whether the departments concerned with their functional activities should have the power to regulate their working. So long as the main co-operative activity was credit, no other department with the possible exception of agriculture and that too indirectly, was concerned with the day-to-day working of co-operative institutions. There was no occasion, therefore, for any other department to question the competence of the Co-operative Department to regulate the working of these societies. With the entry of Co-operation in the fields of industry, farming, sugar-cane development and marketing, labour and construction, milk supply and fisheries, this picture has begun to change. The activities of these societies bring them in close contact with the corresponding Government departments and there is a body of opinion which thinks that it would be conducive to the development of these societies if they are placed under the departments with which they are functionally connected.

Present Situation

3. The present position obtaining in various States in this respect is briefly set forth in the following paragraphs :

In Assam, Gujarat, Jammu & Kashmir, Maharashtra and Rajasthan, the Co-operative Department has control over all types of societies. In Madhya Pradesh, till recently the Industries Department was in charge of handloom weavers and other industrial societies but they have now been re-transferred to the Co-operative Department. At the Secretarial level, however, references relating to these societies are dealt with by the Commerce & Industries Department and this means that the Registrar functions under the Secretary, Commerce & Industries Department so far as work relating to these societies is concerned.

In Punjab, till recently, the arrangement was that there was a senior officer to look after industrial co-operatives. This officer was designated as Joint Registrar of Co-operative Societies-cum-Joint Director of Industries. He was reckoned as an officer of the Industries Department and his pay was met out of the budget of that Department. He functioned however, under the Registrar of Co-operative Societies in relation to his work connected with industrial co-operatives. He had a Deputy Registrar and an Assistant Registrar of the Co-operative Department to assist him at the headquarters. In the districts he operated through the common territorial Assistant Registrars of the Co-operative Department but under these officers there were separate Inspectors and Sub-Inspectors for industrial co-operatives. In March 1963, however, the Punjab Government decided to transfer, as an experimental measure for two years, the control over industrial co-operatives wholly to the Industries Department.

In West Bengal, a Joint Director of Industries has been designated as Joint Registrar of Co-operative Societies and is in charge of handloom and powerloom societies. An Assistant Director of Industries is in charge of handicraft societies and an Additional Director, assisted by a number of technical officers, is in charge of other types of industrial societies. These officers do not have any separate machinery at the district and lower levels to attend to matters relating to organization, inspection, supervision, etc. of industrial co-operatives.

In Andhra Pradesh, Kerala, Madras, Mysore, Orissa and Uttar Pradesh, industrial co-operatives are under the charge of the Industries Department. Except in Orissa, the powers of the Registrar under the co-operative law have been conferred upon the Director of Industries. In Orissa, while the promotion and supervision of industrial co-operatives is with Industries Department, statutory functions under the co-operative law continue to vest in the Co-operative Department. The audit of industrial co-operatives is the responsibility of the Registrar in all the States, except in Uttar Pradesh where the audit of industrial co-operative societies is under the Director of Industries, although the audit of societies under the charge of the Registrar is outside his purview. For the discharge of work relating to industrial co-operatives, the Industries Department has borrowed the services of the staff of the Co-operative Department. In some States such as Madras and Uttar Pradesh, the Industries Department is running a separate co-operative institute for imparting training to their own staff in co-operative principles and practice.

It is noteworthy that in Andhra Pradesh and Madras the handloom weavers' co-operatives are not under the charge of the Industries Department. They are looked after by an officer designated as Director of Handlooms and he is treated as Joint Registrar and is under the Registrar

of Co-operative Societies in regard to his work relating to these societies. In Madras, in 1961, work relating to cottage and village industries was transferred from the Industries Department to the State Khadi & Village Industries Board.

Apart from industrial co-operatives, certain other types of societies have been placed under the purview of concerned development departments. In Uttar Pradesh, the Cane Development Department has full control over cane co-operative societies, including their audit. The Cane Commissioner is invested with the powers of the Registrar and operates through his own departmental staff for whom training is arranged by the Cane Commissioner. In Punjab, the Cane Commissioner has the powers of Registrar for purposes of sugar-cane supply societies, but he works in this respect under the overall superintendence of the Registrar. In the field, the co-operative departmental staff supervise these societies. In Bihar, the Cane Commissioner has control over the cane-growers' co-operatives and is vested with all the powers of the Registrar, except those relating to approval of amendment of by-laws, liquidation and institution of criminal proceedings. He is designated in relation to these societies as Joint Registrar of Co-operative Societies and is assisted by a Deputy Registrar at headquarters, two Assistant Registrars, sixty organisers and 180 supervisors in the field.

Fisheries societies in Kerala, Madras and Mysore are under the control of the Fisheries Department. In Mysore, the Fisheries Department has borrowed the services of an officer of the Co-operative Department with restricted powers of the Registrar and he works under the control of Director of Fisheries. In Madras, all powers of the Registrar except audit, are exercised by the Deputy Registrar, an officer of Co-operative Department, lent to the Fisheries Department. In Andhra Pradesh, the organization of and supervision over fisheries co-operatives in the Andhra region of the State are attended to by the co-operative departmental staff allotted to the Fisheries Department.

In Kerala, Harijan co-operatives are under the charge of Director of Harijan Welfare who has, with reference to these societies, all the powers of the Registrar. He is assisted by a Deputy Registrar whose services have been borrowed from the Co-operative Department.

The organization and supervision of milk supply societies in the cities of Hyderabad and Vijayawada in Andhra Pradesh are with the Milk Commissioner who is assisted by a Deputy Registrar and two Senior Inspectors. Similarly, the Fisheries, Labour and Social Welfare Departments have been made responsible for organizational and developmental activities in respect of fisheries, labour contract and Harijan welfare societies, respectively. Each of these departments has borrowed the services of a Co-operative Sub-Registrar. In addition, six Junior Inspectors have been deputed to the Fisheries Department. The statutory powers such as registration, audit and liquidation in respect of these societies continue to vest in the Co-operative Department.

Arguments in Favour of Separation

4. During the course of our enquiry, we discussed this question of control over special types of societies with officials and non-officials. We found that there was a body of opinion among officials, especially of the

functional departments concerned, strongly in favour of entrusting the control of these societies, particularly industrial co-operatives, to the functional departments. The following were among the arguments advanced in this behalf :

- (i) Co-operation is a form of organization. The success of a co-operative society engaging itself in production will depend on its business efficiency. The Co-operative Department at best can claim expert knowledge so far as the organizational aspects of a society are concerned. They are to be taken care of at the time of the formation of the society. Once it is launched, it will have to lean for assistance for its day-to-day working on the concerned Government department. If that department is placed in administrative charge, it will feel a greater sense of responsibility towards the society and will strive for its success. The balance of advantage would, therefore, appear to lie in placing these societies under the charge of their functional departments which may be assisted by officers of the Co-operative Department to provide the necessary co-operative expertise.
- (ii) If Co-operation is to play a significant role in diverse economic fields, then it would be too much to expect that any one department of Government would be able effectively to supervise as also to render the necessary technical guidance and financial help under various plan schemes to all types of societies. No single department can be a repository of expertise in all fields and if such an attempt was made, that would involve duplication of staff and the incurring of avoidable extra expenditure. Although in the present stage of co-operative development, it may be possible for the Co-operative Department to supervise all kinds of societies, one should not lose sight of the ultimate shape of things. It would give a fillip towards diversification of co-operative activity, if other departments are actively involved in its promotion and made responsible for its success.
- (iii) The major problems before industrial co-operatives relate to the supply of raw materials, the marketing of finished goods and the provision of technical know-how. The Industries Department is better equipped than the Co-operative Department to assist them in tackling these problems. So far as finance is concerned, the provision for loans under the State Aid to Industries Act is also controlled by that department and industrial co-operatives are likely to have a better deal in this respect if they were under the charge of the Industries Department than if the Co-operative Department were to look after them. No doubt, the Co-operative Department is in close contact with co-operative financing agencies, but it is well known that, by and large, these do not have sufficient funds even for financing agriculture. Even if they so desire, they are not in a position to spare funds for industrial co-operatives.
- (iv) Industrial co-operatives receive assistance, technical and financial, from various all-India Boards such as the Handloom Board, the Handicrafts Board, the Khadi and Village Industries Commission/Board, the Coir Board, etc. It is the Industries Department

that remains in touch with them and not the Co-operative Department. Industrial co-operatives would be able to receive greater assistance from these bodies if they were under the charge of the Industries Department.

- (v) Industries Departments in most States run Government emporia and it is the Director of Industries who is the ex-officio Controller of Stores and is in charge of purchases on behalf of Government. Marketing of the products of industrial co-operatives would be facilitated if the Industries Department were to be put in charge of them.
- (vi) The distribution of scarce industrial raw materials is under the control of the Director of Industries. The requirements of industrial co-operatives in this respect are likely to meet with better response if they are linked with the Industries Department than otherwise.

Advocates of this point of view generally concede that the audit of these societies should remain with the Co-operative Department and also that overall co-operative policy may be laid down by that Department. They also agree that the staff dealing with these societies in the field should either be drawn from the Co-operative Department or should have received co-operative training. They are also in favour of the functional department borrowing the services of a senior officer of the rank of Joint/Deputy Registrar from the Co-operative Department to work at the headquarters to assist the head of the department in work connected with these societies.

Arguments Against Separation

5. There is an equally strong body of co-operative opinion which is against the division of the co-operative administrative structure. The arguments adduced are as follows :

- (i) It will adversely affect the integrated structure and discipline of the movement if different departments of the Government were to control different types of societies. By way of illustration, it is mentioned that already in States in which industrial co-operatives are taken away from the Co-operative Department, separate banking organizations are being started, competing in the matter of deposits with the existing co-operative financing agencies.
- (ii) It is not quite correct to contend that in these special types of societies, the co-operative aspect is not of importance. It is well known that the number of spurious societies among industrial co-operatives is quite large and that may be due partly to the staff of the Industries Department paying inadequate attention to the co-operative character of these societies. As co-operative societies enjoy a number of concessions and preferences, it is of the utmost importance that persons out for personal gains do not take advantage of them under the masquerade of co-operation. It is the Co-operative Department better than any other department that can ensure that this does not occur.

- (iii) Co-operative societies may not evoke that sympathetic bias which in the early stages is essential for their success from departments other than the co-operative, for the reason that their representatives will be no match for their competitors in the private sector. They may be able to secure a fair deal if they were under the Co-operative Department which would fight their battles with other departments.
- (iv) The co-operative movement has its own banking structure which has been built up over the years and now commands sizeable funds. Co-operative opinion is unanimous that co-operatives of all kinds should receive assistance from co-operative banks and nothing should be done that would weaken these pivotal institutions. It may be that these special types of societies have hitherto not received adequate financial assistance from these banks. That may be due to inadequate financial resources with them or a degree of apathy towards these new types of societies. These are remediable factors. It is clear that it is only the already established co-operative banks that can meet, may be only partially for the time being, the credit needs of these societies. Separate industrial co-operative banks in the present stage of development of industrial co-operatives can be a feasible proposition, at best, in a few districts only; but taking the country as a whole, co-operatives of all kinds will have to look to co-operative central banks for finance. This will be facilitated if the Co-operative Department is in charge of all types of societies.
- (v) The technical assistance and guidance required by most industrial co-operatives, particularly in the category of handloom, cottage and village industries, are not of a highly skilled nature and can be rendered by a properly trained co-operative staff. It is also argued that even in regard to the sophisticated type of industries such as small-scale or light engineering industries, technical guidance available with most Industries Departments is not adequate and the special benefit that the industrial co-operatives may derive by being placed under the charge of the Industries Department would not be substantial.
- (vi) The co-operative staff is no less conversant with the business aspects of a society than employees of other departments. Its familiarity with accounts, audit and inspection helps it to develop a business sense. It is not correct, therefore, to contend that functional departments are in a better position to look to the business aspects.

Those who argue for a unified control also suggest that the Co-operative Department should have technical officers, preferably on loan from the concerned departments. Similarly it should secure for industrial co-operatives separate allocation of funds under the State Aid to Industries Act as also separate allocation of scarce materials.

Views of the First and Second Working Groups on Industrial Co-operatives

6. In regard to administrative control over industrial co-operatives, the First Working Group on Industrial Co-operatives appointed by Government of India in 1957 expressed the following views :

We suggest that, for co-ordinated control and unified direction, it is desirable to keep the co-operative financing agencies and the societies financed by them under the administrative control of a single authority. We are aware that, with an increase in the variety and number of co-operative societies, the pressure on the time and energies of the Registrars of Co-operative Societies in some States is becoming heavy, and when the recommendations we have made elsewhere are adopted, the volume of work that will be thrown upon the Registrar will be so heavy that he will not be able to do justice to it. A stage is thus being reached in some of the States where division of administrative responsibility in respect of co-operative societies is becoming unavoidable. It is difficult to lay down a uniform administrative pattern which should be adopted by all the States in order to ensure that direction and supervision of all types of co-operative societies are adequately carried out. We can only tentatively indicate the lines on which the administrative arrangements should be oriented in future. As the pressure of work in regard to registration, financing, audit, etc. increases, it may be desirable to relieve the Registrar of Co-operative Societies, whose responsibilities at present pertain mainly to agricultural co-operatives, of the responsibilities relating to industrial co-operatives, housing co-operatives, etc., and to pass on these latter duties to a separate Registrar who may be appointed. Thus, within a State, there may be two or three Registrars dealing, say, with agricultural co-operatives, industrial co-operatives and other co-operatives. We recommend that duplication of office and field staff for these Registrars should be avoided as far as possible. We further recommend that, where there are two or more Registrars of co-operative societies, the work of these Registrars should be properly co-ordinated by appointing a Registrar-General or by designating the Senior Registrar as Registrar-General or by constituting the proposed two or more Registrars into a single Board with the senior Registrar as Chairman. In the administrative pattern that we have tentatively suggested above, there should be room for designating, where necessary, the Director of Industries himself as the Registrar in charge of industrial co-operatives, though the detailed inter-departmental adjustments that this would involve, should be worked out very carefully.

(Chapter VIII, para 2)

The question was examined, again, by the Second Working Group on Industrial Co-operatives (1963). Its view was as follows :

All things considered the balance of advantage lies in keeping industrial co-operatives under the control of the Registrar of Co-operative Societies except, it seems, in the case of mechanised type of industries which may be placed under the Director of Industries. It has, however, to be observed that the set-up of the Directorates of Industries is such that the claims of bigger units receive the prior attention of the department. It also lacks the attitude and atmosphere which is required to nurse and develop a co-operative society. Some officers tend to neglect the weaker units as the time and energy spent on them may not yield readily the results and recognition that they hope to get in the case of bigger units. The success achieved by some of the Departments of Industries in developing industrial co-operatives has been due, to a considerable extent, to personal interest taken by

some officers, which may not be sustained by their successors. These inherent shortcomings of the Industries department will have to be safeguarded where it is intended to place industrial co-operatives under its control.

While the decision whether the work relating to industrial co-operatives should remain with the Co-operative department or be transferred to the Industries department has to be left to the discretion of the State Government to suit the local needs of co-operatives and the set-up of different administrative departments, we suggest that if the Registrar is in charge, he should be assisted by a technical officer of the status of a Joint Director of Industries preferably on deputation from the Industries department. Technical assistance and guidance is essential for industrial co-operatives in general. He should obtain the help of the technical staff of the Industries Department with regard to the economics and technical feasibility of the schemes. The State Government should place, at his disposal, necessary funds from out of the Village and Small Industries head, for developing the societies and the Director of Industries should offer them technical guidance, quotas of controlled and imported raw materials and certificates required from him by authorities like the National Small Industries Corporation, the Chief Controller of Imports and Exports, etc., in the same way as he would if they were under his control. If the Director is in charge, he should be assisted by a Joint Registrar belonging to the co-operative cadre and with previous training and experience in co-operation and his field staff should get the help of the inspectors in the Co-operative department in framing the by-laws of the society and ensuring that the co-operative banks, co-operative unions and other co-operative institutions offer their unstinted services to develop the society. The authority registering the societies should also have statutory power of inspection which should be done through entirely separate field staff. In other words, if the Director of Industries is in charge he should have separate field staff available at all levels for inspection and the industrial inspectors should in such cases obtain special training in co-operation. Similarly, if the Registrar of Co-operative Societies is in charge, he should earmark some inspectors entirely for industrial work and they should receive special training on the technical side of industries. Promotion, organisation, registration, inspection and liquidation should be the responsibility of the same agency. Audit, arbitration and compilation of statistics should remain with the Co-operative department in either case. In respect of societies registered by officers of the Industries department the Registrar may prepare a panel of arbitrators in consultation with the Director of Industries and appoint nominees in consultation with him. For ensuring co-ordination between the two departments, a two-man committee may be constituted at the secretariat level consisting of the Secretaries of Industries and Co-operation with the senior of the two as Chairman. If there is a separate Secretary in charge of village and small industries, he should also be a member of this committee. The Director of Industries and the Registrar of Co-operative Societies should be invited to the meeting of this committee which should be held once a month.

Our Recommendations

7. We have given careful consideration to all the views expressed on the subject including those of the two Working Groups.

Before a programme for cooperative development for a particular economic activity is undertaken, an optimum pattern of the structure of each enterprise having regard to the business features of the activity and the requirements of co-operative functioning has to be evolved. This can be done in the headquarters of either department, provided the counsel at the top-policy level in the other department can be obtained in finalising the pattern. The evolution of this pattern presupposes that the economic feasibility of the enterprise has been investigated into and established to a foreseeable extent. This is a function which the Co-operative Department is more competent to undertake than the technical department, in view of its familiarity with corporate accounts and with the features of corporate functioning. Of course, the technical data concerning the activity to serve as the basis of the forecast have to be obtained from the technical department. Another aspect of preparatory steps in connection with launching a co-operative enterprise relates to the working out of the financing arrangements for the enterprise such as the initial long and medium-term capital required and the modes of raising the same, the relief required to be given during the gestation period, the nature of short-term credit requirements and the sources from which they may be met, and so on. It is obvious that for discharging this function also, the Co-operative Department would be more suited than the technical department.

8. It would appear from the above that at the stage of formulation of a scheme of co-operative endeavour in whatever may be the field of activity, proposals can better be dealt with in the headquarters of the Co-operative Department in active collaboration with the top-level consultants of the technical department concerned. These would include the framing of the by-laws, the fixation of the optimum scale of operations, and the working out of the pattern of financial assistance from Government and the financing institutions.

9. Once an enterprise is launched, the attention it would require comprises :

- (1) securing of initial financial assistance ;
- (2) supervision of functioning as a co-operative society ;
- (3) supervision and audit of accounts and watching of profitability against the frame of original forecasts ;
- (4) adoption of timely measures in the event of mis-management ;
- (5) securing of credit support from financing institutions ;
- (6) provision of technical guidance ;
- (7) grant of assistance in negotiating through control procedures for securing requirements of various kinds ; and
- (8) extension of help in marketing of products.

Items (2), (3), (4) and (5) above are attended to best by the hierarchy of the Co-operative Department. The budget provision in regard to (1) above may be made by the secretariat department which is in charge of

the technical department. Since, however, the pattern of assistance would have been finalised in consultation with the latter, there should be no reason why the allotment may not be placed at the disposal of the Co-operative Department.

We now turn to the remaining three points. Technical guidance has necessarily to be the responsibility of technically qualified personnel. The normal co-operative staff may not be able to provide this. The question, however, is whether the technical department does, in fact, have a field organization for the purpose of giving technical guidance. If it has such an organization already for catering to non-co-operative enterprises, it would be economical to use it for purposes of the co-operatives also. If there is no such organization which periodically goes out to the entrepreneurs to identify technical problems and to provide solutions to them, it is necessary that such an organization is built up to cater to the needs of the co-operatives. Co-operatives by their very nature are likely to be less mobile than private entrepreneurs in seeking out departmental consultants for getting their technical problems solved. Hence the establishment of a departmental technical-guidance service is essential at least until such time as the co-operatives themselves become strong enough to maintain such a service through their own federations.

The question then is where this service should be located. It stands to reason that the proper place for it is in the technical department itself, provided the responsibility to look after the co-operatives from the technical point of view is placed squarely on it. If in the conditions prevailing in any State, the technical department cannot be persuaded to take up this responsibility owing to the lack of scope for the technical department to show quantitative achievements, the practical line of action would be to create the technical guidance service with qualified personnel borrowed from the technical department and to place it under the administrative control of the Co-operative Department.

In regard to the assistance required to be given for enabling the co-operatives to negotiate their way through control procedures to obtain their legitimate requirements, the position usually is that the technical department is in charge of such procedures. Where the technical department has already set up a "may-I-help-you-cell" to cater to all enterprises, the Co-operative Department acting as an honorary liaison agency of the co-operatives should have no difficulty in availing itself of the services of the cell, provided the latter is not prejudiced against the co-operatives. In other cases, it would be expedient to create such a cell in the technical department specially to serve the co-operatives. If in addition, the technical guidance personnel referred to above is located in the technical department, it may be more effective in securing the requirements of the co-operatives from other wings of the same department. The same applies to securing governmental patronage in marketing of the products of the co-operative enterprises. As regards other aspects of marketing, it is doubtful whether, barring a few exceptions, there is really any expertise built up in the technical departments which can be of assistance to the co-operatives in tackling their marketing problems. The solution would lie ultimately in the co-operatives building up their own federations, which can render to the primary units, marketing services in the same way as they could provide them with technical guidance.

10. It is clear from what we have stated above that after co-operatives have been established in any line, the continual attention they need has to be provided both by the Co-operative Department and the technical department concerned. Theoretically, it matters little which department is held to be in charge provided both render their allotted services. The Co-operative Department provides certain essential services which are common to all types of societies. The services to be rendered by the technical departments are not in their regular line and have to be organized for the sake of the co-operatives through staff appointed specially for the purpose. On balance, therefore, it would ordinarily be an advantage to keep the administrative charge of co-operative enterprises of all kinds with the Co-operative Department, with responsibility enjoined on the special wings of the technical departments to provide the co-operatives with such of the services as they are best fitted to render.

11. We are generally in agreement with the views expressed by the Second Working Group on Industrial Co-operatives. We recognize that there may not be uniformity in this respect all over the country. Division of administrative machinery for control over the working of special groups of societies should, however, be exceptional. In our opinion, it is only in the following circumstances that such division may be considered: (i) the special group of societies proposed to be placed outside the purview of the Co-operative Department constitutes an important sector of the movement in a State and the Co-operative Department would find it difficult to supervise and develop it effectively; (ii) the working of these societies involves techniques and skills, guidance and direction in respect of which cannot be provided satisfactorily by the Co-operative Department without building up a staff of specialists, while there is another department of Government which specializes in providing these aids; (iii) the societies require some special kind of assistance, for instance, in the supply of raw materials or in the marketing of products which the Co-operative Department may not find it easy to render while another department is in a better position to render such service; and (iv) there are satisfactory arrangements for the provision of credit for these societies either under the plan schemes or from other sources such as the Khadi and Village Industries Commission.

12. When any Department other than the Co-operative Department is placed in charge of any specific group of societies, we recommended that it should arrange to borrow officers of the Co-operative Department to supervise the societies in the field and to advise the technical officers at the headquarters about the co-operative aspects of their working.

13. We are of the opinion that where it is decided to take out of the purview of the Co-operative Department, for purposes of administrative control, a specific group of societies, there should be no bifurcation of the audit machinery and audit should continue to remain unified for all types of societies under the overall control of the Registrar.

14. We consider it necessary that when a certain group of societies has been transferred from the Co-operative Department to another department and the latter decides to give training in co-operation to its officials, it need not organize separate arrangements for that purpose but should make use of the co-operative training institutions already being run by the National Co-operative Union/State Co-operative Union or Co-operative

Department for officials of co-operative departments and of co-operative institutions.

15. We would like to add here that societies which are under the administrative control of functional departments should not be treated as having been cut off from assistance from co-operative banks. It should become the duty of the Co-operative Department to act in co-ordination with the functional departments and to make sure that no discrimination is shown by co-operative banks.

16. We would insist that where co-operative societies in a State are in charge of more than one department, the Registrar should be consulted in matters of overall co-operative policy. When proposals for extension of the scope of work or for new developments or for changes in structure are to be considered, there should be, invariably, preliminary consultation with the Registrar. He should also be consulted about proposals connected with prosecutions under the co-operative law, with the registration of societies that have adopted by-laws different from model by-laws, with important amendments of by-laws, with interpretation of by-laws and similar matters. It may also be provided that in case of difference of opinion between the Registrar and the head of the functional department on any point, the matter may be referred to Government for final decision.

17. For better co-ordination we would also like to commend the system obtaining in some States of having committees at different levels of representatives of development departments whose meetings should be held periodically at which common problems may be settled by discussion. At higher levels, co-ordination may be secured in the manner recommended by the Second Working Group, namely, that committees may be constituted at the secretariat level consisting of the Co-operation Secretary and the Secretaries of the departments concerned. The Registrar of Co-operative Societies and the head of the department concerned should be invited to the meetings of such committees.

CHAPTER VI

AUDIT

Audit aims at checking the accounts and books of a business in such a manner that the report submitted thereon reflects its correct condition and progress. Audit involves a systematic examination of the financial transactions of a business as recorded in its books which will enable the auditor to satisfy himself whether or not the balance sheet has been drawn up properly so as to exhibit a true and correct view of the state of affairs of an enterprise. It includes a skillful and diligent scrutiny of the genuineness of the transactions recorded in the books of accounts. The main object of the audit of a co-operative society is to ensure that it has carried out the requirements of law governing the working of co-operative societies as also that it functions on sound lines in accordance with co-operative principles and practice. A well-designed system of regular and efficient audit is as necessary as continuous and effective supervision for the sound growth of the co-operative movement.

Kinds of Audit

2. The audit of co-operative societies is of different kinds, concurrent, interim, final and test audit. For concurrent or running audit, the auditors are engaged continuously throughout the year or attend to it at monthly or quarterly intervals during the year. This kind of audit is adopted in large societies like central banks, big marketing and processing societies, urban banks, big consumers' stores, etc., where the work involved is considerable and where it would not be proper to commence the audit only after the books are finally closed and balanced. Interim audit is conducted in between two final audits and is done mainly to enable the auditors to complete the final audit quickly, to detect and verify errors and irregularities early and to give the societies a mid-term review of their working. Final audit is generally the statutory annual audit relating to the closing of the accounts for the year and the preparation of the statement of receipts and disbursements, profit and loss account and balance sheet. Societies are classified on the basis of this audit. Test audit is conducted by a senior auditor to verify whether the final audit by the junior auditors or professional auditors has been properly and efficiently done.

Concurrent audit in the bigger institutions is reported to be in vogue in States other than Assam, Orissa, Rajasthan and Uttar Pradesh. In Rajasthan, eight posts of co-operative inspectors have been recently sanctioned for carrying out the concurrent audit of consumers' stores for the year 1963-64.

Responsibility of Registrar

3. The Co-operative Societies Act in all States vests the responsibility for the proper conduct of the audit of co-operative societies in the Registrar of Co-operative Societies. For the discharge of this responsibility, the Registrar maintains a staff as part of the Co-operative Department. In some States, the audit of bigger institutions is entrusted to profes-

sional auditors approved by the Registrar. It is also the practice in one or two States to entrust the audit of co-operative societies to retired departmental officers. The Registrar draws up, generally every year, a panel of such external auditors who may be entrusted with the audit of co-operative societies. In a few States, the audit was entrusted in the past to co-operative unions or federations of which the Registrar was the President. This system has now been abandoned. It is only in one State namely, Uttar Pradesh that the Registrar has not been made responsible for audit, which has been placed under a Chief Audit Officer functioning under the control of the Finance Department.

The necessity of entrusting audit to the Registrar was stressed as far back as in 1915 by the MacLagan Committee which observed that "it is through audit alone that an effective control can be exercised over the movement" and that "it was never intended that the audit should be merely an arithmetical one and that the Registrar's activities outside that audit should be confined to the inspections or enquiries mentioned in sections 35 and 36 of the Act. The auditing staff, from whatever source they may be paid, are in our opinion responsible to the Registrar and must be mainly controlled by him". The scope of co-operative audit was lucidly explained by the Committee as under :

The audit should in our opinion extend somewhat beyond the bare requirements of the Act, and should embrace an enquiry into all the circumstances which determine the general position of a society. It would for instance be the duty of the auditor to notice any instances in which the Act, Rules, or bye laws have been infringed ; to verify the cash balance and certify the correctness of the accounts ; to ascertain that loans are made fairly, for proper periods and objects, and on adequate security ; to examine repayments in order to check book adjustments or improper extensions ; and generally to see that the society is working on sound lines and that the Committee, the officers, and the ordinary members, understand their duties and responsibilities.

(Chapter II, para 91)

4. The Co-operative Planning Committee (1946) also recommended that audit should remain one of the statutory duties of the Registrar, but was of the view that the Registrar might delegate this function to non-official federations or institutions which should maintain for the purpose a staff of duly qualified auditors, as in Punjab, Bihar and a few other provinces, for the smaller societies. For the larger societies and central co-operative banks the Registrar might assign the audit to auditors placed by him on a panel.

5. A different view was expressed by the Committee of Direction, All-India Rural Credit Survey, in regard to the Registrar's responsibility for audit. It recommended that audit should continue to be in the hands of Government and where there was a Development Commissioner, the Chief Auditor of the Co-operative Department should be responsible to him and not to the Registrar. According to that Committee "professional audit should not replace Departmental audit, since efficient co-operative audit implies an acquaintance with the co-operative background and special co-operative requirements", but in certain institutions such as apex organizations, the bigger central banks and important marketing and processing societies, departmental audit might with advantage, be supplemented by

professional audit. It added that for apex and central banks, big urban banks and other types of institutions with a large turnover, there should, as far as possible, be arrangements for concurrent audit. For all primary societies there should be an interim audit at intervals of six months.

6. The Committee on Co-operative Law set up by the Government of India in 1956 expressed the view that "the important point to be borne in mind in regard to audit is that the Registrar of Co-operative Societies, who is responsible under the law for the proper conduct of co-operative societies, cannot fulfil his responsibility satisfactorily unless he keeps in close touch with the working of these societies by getting their accounts audited under his direction and control". This view was subsequently endorsed in 1960 by the Committee on Co-operative Credit.

7. Sir Malcolm Darling in his report on certain aspects of co-operative movement in India (1957) had suggested that both supervision and audit should be under the general control of the Registrar with a separate staff for each with periodic interchange, however, between the two. The drawback of specialized auditors according to him was that they concerned themselves only with the accounts and ignored such points as whether the by-laws were being observed, or the committee was working properly. He added that in any case since the Registrar was finally responsible for the safety of the movement, he should not be deprived of the responsibility for audit.

8. There is a feeling in some quarters that because the State Governments have considerable financial stake in co-operatives, they should get an independent assessment of the working of such institutions made by an agency other than the Co-operative Department, the latter being in day-to-day charge of the co-operatives. There can be no two opinions about audit having to be objective and independent. The question is whether objectivity and independence are inconsistent with the function of audit remaining with the Co-operative Department. Objectivity might be impaired if the same persons entrusted with the tasks of supervision and inspection of a society were to be responsible for its audit also. This can however, be obviated by having within the Co-operative Department a separate wing exclusively for the purpose of audit, under a Chief Auditor, who would be of the rank of Joint Registrar. The feeling of independence is ensured by avoiding a mixing up of functions and by providing a separate line of command for audit below the Registrar. It would be somewhat farfetched to argue that the Registrar being superior to the Chief Auditor would influence him and his staff at the lower levels in their day-to-day work in a way that detracts from their objectivity and independence. The advantage of this arrangement is that while it can ensure independence of audit it also makes it possible for the audit staff to consist of persons with the right background. Co-operative audit involves not just fault-finding; it is expected to provide, in the process, education towards the avoidance of such faults in the future. Furthermore, co-operative audit extends not only to accounts but also to the co-operative character of the institution audited. For securing both these purposes, it is necessary that the staff entrusted with audit have a co-operative background. This can be ensured by manning the audit wing of the Co-operative Department by personnel who have had opportunities of working on the general side of the Department and thus of developing within themselves the appropriate outlook in relation to the working of co-operatives.

While objectivity and independence of audit are important, the purposefulness of audit is no less important. All these can be secured by keeping the function of audit within the purview of the Co-operative Department with the safeguards we have indicated above. The retention of audit with the Registrar has the further advantage that on the basis of audit carried out by persons who have not only the professional competence but also the requisite orientation, he can keep himself in close touch with the movement. This aspect would assume more and more importance as supervision over societies gradually gets transferred to federal organizations.

9. We are, therefore, convinced that audit should be one of the statutory functions of the Registrar of Co-operative Societies. In Uttar Pradesh, the only State where the control of audit is not with the Registrar, we would recommend the position being re-examined early.

Separation of Audit from Administration

10. The extent of internal separation of audit from administration already effected varies from State to State. In Gujarat, Madhya Pradesh, Rajasthan and West Bengal, audit work is still regulated and controlled by the administrative staff. Although in Assam it is reported that audit has been separated from administration, the administrative staff are required to keep a watch over the progress of audit work and to ensure the carrying out of audit programmes. In some States it is noticed that the administrative staff is occasionally entrusted with audit work and the audit staff with non-audit functions.

11. We have already indicated our opinion that within the Co-operative Department there should be a separate audit wing whose duties pertain exclusively to audit and whose personnel do not have to take orders from the general side. As we have stated earlier, this can be achieved by keeping the audit organization under a Chief Auditor of the rank and status of a Joint Registrar, who will be subordinate only to the Registrar to look after the work of audit of co-operatives in the State. This officer should be assisted by adequate staff at the district and lower levels.

Interchangeability of Audit and Administrative Staff

12. In regard to the desirability of interchangeability of staff between the audit and the general sides, opinion expressed to us was divided. One section of co-operative opinion was in favour of a separate cadre for the audit staff. The other view was in favour of a common cadre, with only a separate hierarchy for functional purposes. In most States, the audit and administrative staff are stated to be interchangeable. In Bihar, Maharashtra, Punjab and Rajasthan, however, the emphasis is on building up a separate cadre for audit. In Rajasthan, an Inspector appointed for audit is not posted on the executive side.

13. We have already referred to the importance of ensuring that the audit staff have some prior experience on the general side of the Department in order that audit becomes purposeful. On the other hand, the general side can be considerably enriched by direct auditing experience from time to time. Audit experience helps in developing familiarity with accounts, which as we had occasion to observe earlier, is one of the most important qualifications of the Co-operative Department for shouldering some of the promotional and developmental functions in relation to

various types of co-operatives. We, therefore, recommend that so far as the non-gazetted staff of the Department is concerned, there should be interchangeability of staff between the general and the audit sides. As regards the gazetted staff, we recognize that it would perhaps be an advantage to maintain two distinct cadres, with the proviso, however, that every office in the audit cadre should be made to work in the gazetted posts of the general side for a period of at least three years, and *vice versa*.

Scale of Staff

14. The Conference of State Ministers of Co-operation held in Mysore in July 1959, recommended that there should be one auditor for every 40 primary credit societies. That conference did not go into the strength of the staff that would have to be appointed for other types of societies. The Committee on Co-operative Credit was of the view that this scale might have to be reviewed in the light of increase in the volume of transactions that might take place in primary credit societies and the charge of an auditor might be fixed by the State with due reference to these transactions.

15. The First Working Group on Industrial Co-operatives (1958) had recommended that there should be adequate audit staff for industrial societies, generally at the rate of one auditor for every 20 societies of average size for doing at least one audit per year. For the audit of large societies, provision should be made for concurrent or interim audit at the rate of one auditor for every 5 societies.

16. A brief account of the administrative arrangements in regard to audit of societies in the various States and the norms for appointment of audit staff that are in vogue and other related matters is given in Appendix VIII.

Except in Assam and Mysore, the norms for audit staff are worked out on the basis of the number of societies to be entrusted to an auditor. In Assam, there is one auditor for 2 blocks. In Mysore, there is generally one Junior Auditor for each taluk and one Senior Auditor for two taluks. In the revised staffing pattern sanctioned by the Government in June 1963 it is stated that each auditor will have about 15 to 20 societies. In Gujarat, there are no norms for audit staff but for appointment of the staff the basis is 45 to 55 units for each Special Auditor, 60 to 73 units for an Auditor and 70 to 84 units for a Sub-Auditor. At the other extreme is Jammu & Kashmir where the number of societies for an auditor is 4 to 5, but it is reported that the audit staff have also to attend to supervision work. The number of societies allotted to each auditor in other States is 60 to 65 small-sized or 20 to 25 large-sized societies in Andhra Pradesh; 40 in Bihar and Madhya Pradesh; 20 to 25 in Kerala; 10 to 45 (according to the types of society) in Madras; 50 to 55 in Punjab; 40 to 45 in Rajasthan and 60 societies in West Bengal.

In Maharashtra, the State Government appointed in January 1962 a Committee to review the formulae relating to the quantum of work to be turned out by the audit staff and to suggest the pattern of the audit staff of the Department. This Committee submitted its report in November 1962 which is under consideration of the Government. The Committee

has observed that for purpose of determining the size of an audit unit, only two broad factors viz., working capital and turnover, which can be easily ascertained have to be taken into account. The Committee has recommended certain standards for adoption, taking these factors into account.

Inadequacy of Audit Staff

17. We observe that in many States the Co-operative Departments have not been provided with adequate staff with the result that audit has remained heavily in arrears. According to provisional figures available in the Agricultural Credit Department of the Reserve Bank of India, 3,28,247 societies were due for audit at the beginning of the year 1961-62 but the audit of only 2,66,605 societies was completed during that year. Out of 30,512 societies whose audit was pending for two years and over at the beginning of the year, the audit of over 14,000 societies had not been taken up during the year. In one State the position was very disquieting. The audit of about 5,000 societies for the year 1961-62 had not been completed till August 1963. The audit of societies for the year 1962-63 had not been taken up till then. We were informed that the audit staff with the Department was wholly inadequate and the efforts of the Department to get additional posts sanctioned had not succeeded. In another State, against 11,028 societies due for audit only 7,598 societies were audited during the year 1961-62. Moreover, the Department could complete during the year the audit of only half the number of societies whose audit was in arrears for two years and above. The following table indicates the position in regard to the audit of societies in the various States :

Progress of Audit of Co-operative Societies During the Year 1961-62

State	Pending audit		Audited	
	At the beginning of the year	Of which pending for 2 years and over	During the year	Of which those in col. (3)
1	2	3	4	5
Andhra Pradesh	26,324	1,026	25,154	170
Assam	8,905	1,192	6,544	478
Bihar	29,734	4,012	18,517	1,511
Gujarat	13,955	86	13,602	60
Jammu & Kashmir	1,621	1,039	670	N.A.
Kerala	7,070	2,868	3,628	1,106
Madhya Pradesh	23,478	205	23,040	119
Madras	18,447	145	16,370	145
Maharashtra	31,558	3,141	22,708	1,593
Mysore	12,608	N.A.	11,068	N.A.
Orissa	11,204	3,195	8,018	1,584
Punjab	32,168	1,136	29,258	728
Rajasthan	18,306	572	16,161	183
Uttar Pradesh	69,147	9,917	50,210	7,393

West Bengal	19,304	1,356	18,083	793
Andaman & Nicobar Islands	91	13	56	5
Delhi	2,018	266	1,676	112
Himachal Pradesh	982	3	N.A.	N.A.
Manipur	628	156	250	61
Pondicherry	137	Nil	137	Nil
Tripura	562	184	385	93
Total	3,28,247	30,512	2,65,535	16,134

(Figures provisional)

18. We were informed that in some States although the position appeared to be satisfactory from the point of view of completion of audit, the quality of audit had deteriorated. In the Department's eagerness to achieve the programme, either a larger number of societies were allotted to auditors than they could be expected to handle efficiently or the audit of institutions normally assigned to senior officials had to be entrusted to auditors at lower levels without the requisite experience. We consider that audit to serve a useful purpose should not only be prompt but also efficient.

19. We have examined the existing norms for appointment of audit staff and the suggestions made to us by the Registrars and are of the view that the minimum scale that should be adopted for appointment of staff for audit of primary societies should be as under :

<i>Type of societies</i>	<i>No. of societies per auditor</i>	<i>Category of staff to be entrusted with audit</i>
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Credit Societies**(a) Agricultural**

(i) Primary credit societies (small-sized)	40	Junior Auditor
(ii) Large-sized credit societies and credit unions	15	Senior Auditor
(iii) Primary land mortgage banks	25	Senior Auditor

(b) Non-agricultural

(i) Employees credit societies and urban banks	25	Senior Auditor
(ii) Other types e.g. artisans, fishermen etc.	40	Junior Auditor

Non-credit societies

(i) Primary consumers' stores	15	Senior Auditor
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(ii) Primary marketing societies	}	15	Senior Auditor/ Junior Auditor*
(iii) Primary weavers' societies			
(iv) Milk supply societies			
(v) Fishermen's societies	}	20	Senior Auditor
(vi) Farming societies			
(vii) Housing societies			
(viii) Industrial societies other than weavers			
(ix) Miscellaneous societies			
Societies under liquidation		40	Junior Auditor

The categories of Junior and Senior Auditors mentioned in the above table should correspond to the Grade I and Grade II Inspectors referred to in paragraph 17 of Chapter IV.

20. In allotting societies to each auditor, care will have to be taken to see that he has to traverse as compact an area as possible. As this would involve the audit of more than one type of society, the actual number of societies to be entrusted to an auditor will have to be worked out by giving appropriate weightage to the different types of societies to be audited in accordance with their relative workloads as emerging from the norms indicated above. It may also be necessary to take into account when fixing the audit programme of each auditor, the differences in size and transactions as among societies of the same type, though for the State as a whole such differences are assumed to cancel themselves out, the norm having been fixed on an average basis. As to whether separate auditors should be earmarked for any particular type of society, we are of the opinion that ordinarily this is not necessary. We are not convinced that the nature of audit differs according to types of societies.

In this connection the need for cost accounts and performance audit was mentioned to us specially in connection with industrial co-operatives. We do not regard cost accounts or performance audit as a necessary part of audit as it is understood at present. At the same time, we have no objection to the deploying of auditors in a district in such a way that certain auditors are entrusted with one type of societies, provided this is feasible without unduly transgressing the principle that the geographical area to be covered by an auditor is kept to the minimum possible.

Audit by Chartered Accountants

21. We have referred earlier to the practice obtaining in a few States of entrusting the audit of bigger institutions like apex bodies, central banks and other district level societies, co-operative sugar factories and spinning mills to chartered accountants. When this is the case, the Co-operative Department should prescribe the audit forms to be filled in by such auditors with a view to ensuring that the audit of these institutions is conducted having regard to the requirements of co-operative law and practice. The appointment of such auditors by the institutions should, however, be from a panel approved by Government and subject to the

* The work should be allotted depending upon the nature of transactions of the society. Where the transactions are not considerable a Junior Auditor may be entrusted with the work.

prior approval of the Registrar. The Department may further undertake from time to time test audit of some of the institutions that are audited by chartered accountants, so as to satisfy itself that the audit has been properly done. In States where the audit of the above types of societies has to be undertaken by the departmental auditors it should be entrusted only to very senior officers.

22. We observed in many States the practice of entrusting audit to newly recruited Junior Auditors or Junior Inspectors. It was explained that these Junior officers were being attached for a month or two with experienced auditors before they were put on the job. We disapprove of this arrangement, as a co-operative officer without any field experience cannot be expected to fulfil the role of the 'Co-operative Auditor'. We, therefore, suggest that the audit of a society should be entrusted to only those Auditors who have had at least two years initial experience on the general side i.e., in the matter of organization, supervision and inspection of societies.

23. In respect of societies having departmental officers as their chief executive officers, care should be taken to see that audit of such societies is not entrusted to auditors of a rank lower than that of the deputed departmental officer. Alternatively the audit of such societies should be entrusted to qualified chartered accountants.

Audit Fees

24. In the course of our enquiry it was brought to our notice by some non-official co-operators that the audit fees levied by the Co-operative Department were excessive and absorbed quite a good part of their profits. In one State, an apex society was required to pay Rs 83,000 by way of audit fees, the amount presumably representing the notional cost of the staff deputed by the Department for conducting audit. In another State, co-operative societies were required to pay a certain percentage of their profits and no maximum was fixed. As we have not been able to study in detail the scales of audit fees that are in force in the various States, we do not propose to lay down any uniform standards for adoption, one reason being that in many States we found the existing scales in a process of revision. We would, however, like to make a few broad recommendations in this regard. Ordinarily no society should be made to pay a fee for departmental audit during the first few years of its existence. This period should be fixed according to types of societies having regard to the circumstances in each State. In regard to societies which cater to classes which are economically backward, fees should not be charged if the society is in loss. Subject to the above, the scale of fees should be so fixed that generally a society does not have to pay as audit fees an amount exceeding the actual cost incurred by the Department or what a professional auditor would have charged, whichever amount is lower.

Organizational Set-up for Audit

25. We have recommended earlier that the Co-operative Department should have a separate wing exclusively for the purpose of audit under a Chief Auditor who should be of the rank of Joint Registrar. We consider that this officer should preferably be drawn from within the

Department. If for special reasons, an officer has to be appointed either from other departments or from outside, he should be given the necessary orientation in Co-operation before placing him in charge of the work.

26. At the district level, we recommend that there should be for each district a District Co-operative Audit Officer of the same rank and status as an officer in charge of a circle on the general side. Where a district is small in the sense that the number of societies in it is less than 500, it may be joined on to the charge of the District Co-operative Audit Officer of a neighbouring district. The work of this officer should be controlled by the Chief Audit Officer. We do not consider that the District Audit Officer need be under the control of the divisional officer on the general side. Where the number of District Audit Officers is large, the State Government may consider whether it is necessary to place under the Chief Auditor at headquarters or at divisional level gazetted officers of the rank and status of Class I officers to supervise the work of District Audit Officers and also to conduct the audit of federal and other large institutions.

27. The District Audit Officer should undertake the test audit of a few societies that are audited by Senior Auditors. Similarly, Senior Auditors attached to the District Offices should take up the test audit of a few societies whose accounts have been audited by Junior Auditors. We would recommend the system of test audit to be introduced wherever it is not in vogue.



CHAPTER VII

SUPERVISION

The need for ensuring an efficient machinery for supervision of co-operative institutions has been stressed by various committees in the past. As early as in 1915, the Maclagan Committee observed as follows :

It is important to recognise that societies are chiefly composed of uneducated members, that the problems which confront them are not always easy, and that the handling of money involves certain temptations. These conditions call for certain precautions, the enforcement of which requires much hard and uninteresting work.

and recommended that :

To ensure successful management nothing is more important than constant and vigilant scrutiny of the accounts and examinations of the general management through the agency both of the Registrar's staff and of the co-operative institutions themselves. The value of such inspections, regarded as they are for the most part as routine work and showing no immediate or striking results, often escapes notice, but they play an essential part in the co-operative scheme, and failures are largely due to their inefficiency or absence.

The efficiency of co-operative institutions depends very largely on the arrangements made with respect to the two important safeguards provided by (i) periodical audit, and (ii) continuous supervision.

(Chapter II, paras 88 & 89)

2. Later, in 1928, the Royal Commission on Agriculture emphasized the importance of supervision in the following words :

From the evidence placed before us, we are of opinion that one of the main causes of the failures we have mentioned in the preceding paragraph is the lack of the requisite education and of adequate supervision and guidance. Members of co-operative bodies have not been sufficiently trained to assume the responsibilities thrown upon them.

(Chapter XIII, para 374)

3. The Committee of Direction of the All-India Rural Credit Survey drew a clear distinction between Audit and Supervision as under :

Supervision has the important aim of promoting, and not merely testing, the efficiency of a society; it seeks to ensure that the defects noted at the audit have been rectified and that the operations of the society, and particularly the disbursement of loans, are undertaken on business-like and genuinely co-operative lines. The functions of supervision, in this sense, should of course also be distinguished from those of office inspection of co-operative organizations usually undertaken by the staff of the co-operative departments as part of their normal administrative duties.

(Chapter 38, para 4)

4. The Committee on Co-operative Credit also emphasized the need for effective supervision and recommended that a supervisor should be in charge of such number of primary societies as he could be reasonably expected to supervise efficiently.

5. We reiterate the opinions already expressed by various committees that effective supervision is an essential ingredient for building up a strong co-operative structure.

Functions of a Supervisor

6. The MacLagan Committee had gone into the question of the functions of a supervisor in great detail and expressed their views as under :

The work of "supervision" covers many of the points which have already been included in audit, but in addition it implies the duty of instructing the members in co-operative principles and the propagation of the movement by the organization of new societies. Even where it covers the same ground as audit, however, it differs from it in that it aims not merely at testing the efficiency of a society but at helping it to be efficient and it comprehends the further task of seeing that the defects noted at audit have been remedied. The supervisor is concerned to see that the work of the society is not only business-like and up-to-date but genuinely co-operative. While satisfying himself that the accounts are in good order and that business is being conducted regularly and prudently, he would refrain from verifying the figures in detail, and would set himself to test the knowledge of the Committee and members, to advise them with regard to difficulties and disputes, to explain and remedy mistakes, and to impress upon them the principles which societies should always have before them. (Chapter II, para 98)

7. According to the Royal Commission on Agriculture, the chief duty of the supervisory staff was "to educate members up to the point at which they will be competent themselves to undertake its duties and so to dispense with its services ; to strengthen the hands of the honorary workers by furnishing them with skilled advice and guidance in the more difficult problems ; to supervise the work of unions and federations engaged in the management and control of the movement ; and to work out new schemes to facilitate the work of other departments, to prepare the ground for their special propaganda and to organise the people to receive and adopt expert advice."

8. In our opinion, supervision broadly involves making sure that a society functions in the manner it was expected to function. This means looking into (i) the manner in which the society's assets of all kinds including cash are taken care of to see that there is no avoidable loss or scope for misutilization ; (ii) the accounts to make sure that they are promptly and correctly written up ; (iii) the organization of the society and its methods of functioning to see that its co-operative character and discipline are being preserved and (iv) the state of its business to see whether there are any obvious weaknesses of a remediable kind. In regard to all these matters, the latest audit report would provide the supervisor with material for use as a starting point for his work. The supervisor, however, cannot stop at the position as at the time of the last

audit. His coverage should be as up-to-date as possible. Having located the defects and weaknesses under the four heads mentioned above, the supervisor should try to get as many of them as possible corrected on the spot by discussion with the persons concerned. This direct approach towards rectification should ordinarily prove adequate in cases where the defects are unintentional. Where, however, the defects appear to be the result of wilful conduct on the part of office-bearers, or the managing committee as a whole or certain members, the supervisor may have to seek the intervention of higher authorities. The same would be the case in regard to the business difficulties which the supervisor thinks can be tackled only by prompt assistance from other established agencies whether within or outside the governmental machinery.

9. The supervisor can also be helpful in the organization of new societies. With his intimate knowledge of areas and people, he is in a position to look out for opportunities of fruitful co-operative activity in different fields. He may be able to give the necessary guidance to local leaders in the matter of taking advantage of model schemes for various types of activities formulated at higher levels. It will certainly be part of his duties to attend to the reorganization and revitalization of existing societies wherever the need for the same has been established.

10. We have dealt with the broad outline of the functions of a supervisor. The details will depend on the type of society to be supervised. So far as agricultural credit societies are concerned, the Sub-Committee of the National Co-operative Development and Warehousing Board spelt out the functions of a supervisor as under ;

The *financial* functions involve visits to each society at regular intervals, assistance in the preparation of loan applications, examination of account books and other registers of societies, preparation of inspection reports, rectification of defects, convening general meetings, disposal of references pending in societies, revision of property statements etc., and maintenance of up-to-date copies of by laws.

The financial functions also involve items of particular interest to co-operative financing banks such as ensuring that the loans drawn are within the maximum credit limits of the societies ; that the loans are properly divided as between short-term and medium-term loans according to the purposes for which the loans are borrowed ; that the society has repaid its previous dues to the bank, and that the loans sanctioned to members are within the limits to which they are entitled.

It would also be necessary to supervise, in a general way, that the loans are used for the objects for which they are given ; that overdues do not pile up ; that extensions are given with the approval of the bank concerned and with the consent of the sureties where necessary.

Many of the above functions have to be performed by the Secretary of the Society, but it is the business of the supervisor to ensure that these functions are properly carried out.

The main *administrative* functions of a supervisor are to ensure that the administration of the society is carried out in strict conformity

with co-operative principles and in accordance with the by-laws of the society ; to make sure that the office bearers work in a spirit of harmony and justice, with a full understanding of co-operative principles and without taking undue advantage of their position ; ensure that the suggestions received from the officers of the Department are carried out; and to enquire into complaints.

The promotional and educational functions relate to matters such as education, propaganda, publicity, organisation of new societies etc.

(Para I)

We are in agreement with the above outline of the duties of supervisors so far as agricultural credit societies are concerned.

11. We observe that the duties of the supervisors of agricultural credit societies that have been prescribed in the different States broadly cover the functions enumerated by the Sub-Committee of the National Co-operative Development and Warehousing Board. In practice, however, the supervisors attend mainly to such items of work as preparation and processing of loan applications, disbursement of loans and recovery of loans. The other duties, such as guiding and assisting in the proper maintenance of accounts, rectification of defects noticed in its audit or in inspection, instructing the members in co-operative principles, etc., do not in most cases claim the attention of supervisors. We consider that it is necessary that in all States, not only should the functions of a supervisor be defined clearly, but measures should also be taken to see that the supervisor effectively discharges all the functions entrusted to him.

Agency for Supervision

12. Under our terms of reference, we are required to recommend norms for determining the strength of staff for supervision. The efficiency of supervision depends not only on the size of the supervisory staff employed but also on its quality and the manner in which it is used and controlled by the agency responsible for supervision. The question of agency for supervision has been gone into by several committees of enquiry in the past, the latest being the Committee on Co-operative Credit (1960) which recommended as under :

We have carefully examined the various points of view expressed on the subject and the majority of us are of opinion that in the context of expansion of credit envisaged in the future through the co-operatives, central financing agencies will have to assume responsibility for supervision of primary credit societies affiliated to and financed by them.

(Chapter XV, para 9)

13. The existing arrangements for supervision of primary credit societies may be briefly described as under :

In Bihar, Jammu & Kashmir, Punjab and Rajasthan and the Union Territories of Delhi and Himachal Pradesh, supervision of all types of co-operative societies is the responsibility of the Co-operative Department. In recognition of the need to transfer supervision to non-official agencies, the Co-operative Department in Rajasthan has made financial provision for enabling each of the central banks to have an Executive Officer and

two Inspectors for undertaking "financial supervision" over the credit societies affiliated to them. In Assam and Madhya Pradesh, supervision of primary credit societies is carried out by both the Department and the central banks, the latter agency being the more important of the two in Madhya Pradesh. In Assam, primary societies are reported to be largely supervised by the departmental officers at the lowest rung viz. Assistant Co-operative Officers. In Andhra Pradesh, Kerala, Madras, Mysore, Orissa and West Bengal, supervision over primary credit societies is undertaken by the central financing agencies. In Bihar, although the supervision of credit societies is reported to be the responsibility of the central banks, the entire staff for supervision are departmental employees whose services have been placed with the banks free of cost. Most of the general managers and assistant managers of central banks who are to guide and control their work are also departmental officials. In West Bengal, the supervisors of central banks are assisted in the discharge of their duties by the staff of the Co-operative Directorate particularly in the preparation of loan applications, disbursement of loans and collection of dues. The Co-operative Department there considers that departmental supervision is inescapable in the present stage of development of the movement of the State, particularly as the quality of supervision by the central banks is considered to be below average. In Uttar Pradesh, supervision is the function of the State Co-operative Union, though in practice the supervisory staff work under the administrative control of the Assistant Registrar of the district. [There is a regional disciplinary committee at the divisional level and an Executive Committee of the State Co-operative Union at the State level with defined powers to decide cases relating to disciplinary proceedings against the staff.] In Maharashtra, the responsibility for supervision over primary credit societies is in effect with the Co-operative Department though the staff are shown as attached to taluka supervising unions. The question of modifying the existing arrangements for supervision is reported to be engaging the attention of the Government. The present position in Gujarat is practically the same as in Maharashtra. It is reported, however, that the question of transferring the responsibility of supervision of primary credit societies to central financing agencies is under the active consideration of the State Government.

We agree with the view expressed by the Committee on Co-operative Credit that the central banks are the appropriate agencies to assume responsibility for supervision of primary credit societies. We would urge that where the responsibility of supervision is not with the central financing agencies, there should be a phased programme for transferring the responsibility to them. In paragraph 25, we go into the question of the cost of supervisory staff that the banks will have to meet in the event of such a transfer.

Supervision Over Societies Other Than Agricultural Credit Societies

14. While agricultural credit societies still form the predominant group in the movement and, therefore, claim much attention, the other types of societies are growing in number with the diversification of the movement. Supervision over such societies would hence be of no less importance. While different agencies have been entrusted with the responsibility for supervision in various States, it may be observed that where the central banks or supervising unions have assumed responsibility for supervision, they generally confine themselves to supervision over

agricultural credit societies, leaving to the Department the responsibility for supervision over other types of societies. In Maharashtra, supervision over industrial societies is exercised by District Industrial Associations and over the rest by the Co-operative Department. In Madras, Andhra Pradesh and Orissa, central banks confine their attention to agricultural credit societies, leaving the other types of societies to the Co-operative Department. Some central banks in a few States have also appointed separate staff for supervision over other types of societies, but by and large, their strength is not significant. In Uttar Pradesh, for supervision over other types of societies arrangements are the same as those for primary credit societies.

15. So far as societies other than primary credit societies are concerned, our broad approach would be that ultimately their supervision also should get transferred to appropriate federal agencies. Each sector of the movement may desire to make its own federal arrangements for supervision. In certain circumstances the central financing agencies may choose to assume responsibility for supervision with a view to keeping themselves in touch with the financial position of such of those societies as borrow funds from them regularly. However, until some systematic arrangements for supervision are made within the co-operative sector, supervision has to remain the direct responsibility of the Co-operative Department.

Norms for Supervisory Staff

16. It is needless to say that the efficiency of supervision depends both on the number of institutions a supervisor is required to handle and the quality of supervisors employed. The fixing of norms for appointing supervisory staff is, therefore, an important aspect of the arrangements for supervision. The scale of supervisory staff recommended by the Reserve Bank's Standing Advisory Committee on Agricultural Credit was one supervisor for every 15 large-sized or 25 small-sized credit societies. On this basis provision was made in the Second Plan for the grant of subsidies for appointment of staff.

Present Position

17. We briefly review the arrangements that exist in various States and the norms, if any, laid down for the appointment of supervisory staff. In Andhra Pradesh, the central banks employ supervisors at the rate of one for 10 to 25 societies depending upon the transactions and jurisdiction of the societies concerned. In that State, 24 central banks in regard to which details are available have 15,926 societies affiliated to them. These banks have appointed 1,103 supervisors, 78 of whom are intended for supervision of societies other than agricultural credit societies. One central bank which is serving the package area has 113 supervisors against 389 societies affiliated to it. The central banks in Assam have appointed 122 supervisors. The charge per supervisor works out to 32 agricultural credit societies. The apex bank also maintains a staff of supervisors for supervising the work of central banks and other institutions which it finances directly. The strength of the staff with the apex bank is 32. In Gujarat, 183 supervisors appointed by the Department are shown as attached to taluka supervising unions. The Department generally appoints one supervisor for every 30 to 40 societies. Not more than 30 societies are allotted to each supervisor in Kerala. The central banks have at present

245 supervisors. As at the end of December 1962, the 54 central banks in Madhya Pradesh had employed 39 Chief Supervisors, 74 Assistant Chief Supervisors and 732 supervisors. Some of the Central banks have employed more staff than what is required on the basis of the approved pattern while the others have not appointed the requisite staff. In Maharashtra, the charge under a supervisor was hitherto 35-40 societies. As this was considered by the Department to be unwieldy for effective and efficient supervision, it is reported that efforts are being made to bring this down to 20-25 small-sized societies or 10-15 large-sized societies per supervisor. The central banks also maintain staff of their own Inspectors for supervision over societies. The average charge varies from 23 to 67 societies per Inspector. It must be added that in some banks the Inspectors are also in charge of their branch offices and are not, therefore, available for supervision work on a full time basis. In the Full Finance Scheme areas in Madras there is one supervisor for about six societies while in the other areas, there is one for every ten societies. The total number of societies affiliated to the fifteen central banks in the State as at the end of December 1962 was 15,628 and the number of supervisors appointed by the banks stood at 1,167, of whom 75 were for supervision over societies other than agricultural credit societies. In Mysore, the strength of supervisory staff maintained by 19 central banks is 346 who have to supervise 10,697 societies. The average charge varies from 17 societies per supervisor in one district to 49 societies in another. The 17 central banks in Orissa to which 9,410 primary societies are affiliated have appointed 307 supervisors for supervising 8,178 agricultural societies and such of those non-agricultural societies as are financed by them. Provision has been made under the Third Plan for the appointment of 50 supervisors at the rate of 10 per year. In Punjab, where the responsibility for supervision vests in the Department, an Inspector has 50 to 100 societies and a Sub-Inspector 12 to 25 societies under his charge depending upon whether the societies are in the hill areas or in the plains. The 14 central banks in Rajasthan have been enabled to have the staff of an Executive Officer and two Inspectors each by the Cooperative Department, for which financial provision has been made under the Plan. Some of the central banks have taken steps to strengthen their supervisory staff. As indicated earlier, supervision over societies has mainly remained with the Co-operative Department and is carried out by Co-operative Extension Officers deputed to Panchayat Samitis. The present strength of supervisory staff with the Uttar Pradesh Co-operative Union is 5,201. Of these 4,947 supervisors are reported to be for agricultural credit societies ; a large number of them are, however, managers of block seed stores and large-sized societies. Of the rest, 190 are intended for marketing societies. Each supervisor has on an average 30 primary societies or 15 service societies or 1 large-sized society. In West Bengal as at the end of the year 1961-62, the central banks had appointed 420 supervisors (against 513 on the basis of the approved pattern) to supervise 510 large-sized and 11,987 small-sized primary agricultural credit societies. In some of the reorganized banks the number of societies per supervisor is more than 40. The average charge per Inspector in Himachal Pradesh is 34 societies and per Sub-Inspector 20 societies.

18. In most of the States, it is reported to be the practice for a society to be visited by the supervisor at least once in a quarter. In Assam, a society is visited at an interval of three to four months and in some cases at longer intervals. In Bihar, primary societies are generally visited once

or twice in a year. In Kerala, it is reported that supervisors visit almost all the societies under their charge once a month. In Madras, a society is normally visited once in two months. In the Full Finance Scheme areas, societies are, however, visited once a month. In Mysore, normally 'A' and 'B' class societies are required to be visited twice a year and the rest once in three months. In Uttar Pradesh, every society is required to be visited at least 4 to 6 times in a year. In West Bengal, village societies are required to be visited once a month. In the Union Territory of Delhi, a Sub-Inspector is expected to visit 'A' and 'B' class societies in his circle once a quarter and 'C' and 'D' class societies and those selected for revitalization once a month. In Himachal Pradesh, a Sub-Inspector is expected to visit every society once at least in two months.

19. For supervision of industrial societies, housing societies, fishermen's societies, farming societies, etc., separate staff would be necessary to ensure their sound growth. The First Working Group on Industrial Co-operatives (1958) had suggested that there should be an inspector for every 10 industrial societies. The Government of India have indicated to State Governments that for co-operative farming, there should be an inspector for every district selected for the pilot project.

20. We have reviewed the existing arrangements for supervision and the norms for appointment of staff in various States. We have also taken note of the fact that the activities of co-operatives have expanded in recent years and have extended to new spheres. The need of special types of societies which are being organized to cover diverse economic activities has been particularly felt. For the proper growth of these institutions continuous attention and guidance are necessary in their initial stages. Taking all these factors into consideration we are of the view that the following norms should be adopted for the appointment of supervisory staff :

<i>Type of societies</i>	<i>No. of societies per Supervisor/ Inspector</i>
Credit societies	
(a) <i>Agricultural</i>	
(i) Primary credit societies (small-sized)	25
(ii) Large-sized credit societies & credit unions	12
(b) <i>Non-agricultural</i>	
(i) Employees credit societies and urban banks	15
(ii) Other types e.g. artisans, fishermen etc.	25
Non-credit societies	
(i) Primary consumers' stores	12
(ii) Primary marketing societies	12
(iii) Primary weavers' societies	10
(iv) Milk supply societies	15
(v) Fishermen's societies	15
(vi) Farming societies	10

(vii) Housing societies	20
(viii) Industrial societies other than weavers	10
(ix) Miscellaneous societies	20

As the operations of large-sized credit societies have expanded and service functions are being undertaken by them we have recommended the reduction of the charge of a supervisor from 15 to 12.

Except in the case of the credit societies, the supervision over which we have recommended for transfer to the central financing agencies, the supervisory personnel in regard to the other types of societies are likely to be officials of the Co-operative Department for the present and for some time to come. Of the two categories of non-gazetted staff which we have recommended in paragraph 17 of Chapter IV viz., Inspectors Grade I and Inspectors Grade II, we would recommend that officials of the status of Inspectors Grade I may be allotted for work relating to marketing societies, consumers' stores, weavers and other types of industrial societies which have undertaken production activities, farming societies and housing societies. The remaining types of societies may be supervised by Inspectors Grade II.

In the deployment of Supervisors/Inspectors care will have to be taken to see that each supervisor has to cover as compact an area as possible. As this would naturally involve the supervision of more than one type of society, the actual number of societies to be allotted to a supervisor will have to be determined by giving appropriate weightage to the different types of societies to be supervised in accordance with their relative workloads as emerging from the norms indicated above.

21. When the standards we have recommended above are adopted, it should be possible for the supervisor to visit each society under his charge not less than once in two months and to assist in bringing about improvement in working.

22. For district federations, big processing units, wholesale stores, insurance societies, etc., additional staff would have to be provided to ensure effective supervision. It would be desirable for the circle or district officer concerned or a higher officer to conduct the inspection of such societies at least once a year. For purposes of supervision the State federations, sugar factories, spinning mills etc. should be under the direct charge of a Joint Registrar.

Cost of Supervision

23. The cost of supervision is a very important consideration that affects the size of the supervisory staff. The Royal Commission on Agriculture emphasized the need for government to supplement with grants-in-aid, the resources of federations of societies or supervising unions that have undertaken the responsibility for supervision. The Co-operative Planning Committee expressed the view that such grants-in-aid should be large enough to enable the agency to meet its expenses without levying unduly heavy contributions on the societies, and even recommended that as the majority of co-operative societies were not properly developed, the entire cost of supervision in many areas might have to be borne by Government.

Provision of subsidies for the appointment of supervisory staff formed an integral part of the Second Plan, following the acceptance of the need to strengthen the staff for supervision of primary societies. Under the plan, the State Governments subsidised the cost of additional supervisory staff for a period of three years on a tapering scale viz., full cost in the first year, two-thirds and one-third in the subsequent two years. This pattern of assistance has been continued under the Third Plan. In this connection the Sub-Committee of the National Co-operative Development and Warehousing Board had pointed out :

If supervision is to be undertaken by central banks, either separately or conjointly with local supervising unions, contributions will have to be levied from the primary societies on an appropriate basis, supplemented by contributions from the central banks themselves. The deficit, if any, should be met by the Government although the ultimate objective should be that the entire cost of supervision should be borne by the co-operatives themselves. The rate of interest which the societies or the central financing agencies will be permitted to charge, will have to take into account the cost of supervision they will be called upon to bear. (Para X—11)

24. In Bihar, Jammu & Kashmir, Punjab, Rajasthan, Delhi and Himachal Pradesh, where supervision is exercised by the departmental staff the cost of supervision is borne entirely by the State. In Maharashtra and Uttar Pradesh, the State Government recovers part of the cost by levying supervision fees on agricultural credit societies and on central financing agencies. In Gujarat, such a levy is confined to primary societies. In Bihar, Madhya Pradesh and in some parts of Mysore, the cost of supervision is borne by the central banks out of their resources and subsidy available from the State Government on the basis of the approved pattern. In Andhra Pradesh, Kerala, Madras, Orissa, West Bengal and in some parts of Mysore, the central banks levy supervision fees on the societies and thus recover part of their cost. In Madras, the cost of additional supervisors appointed by the central banks in the Full Finance Scheme areas is met by the Government on a tapering scale (full cost during first year, 50%, 25% and 12½% during the second, third and fourth years respectively). It is stated that this pattern is being adopted in respect of supervisory staff in the other areas as well, as part of the Third Plan programmes.

25. There has been considerable increase in the strength of supervisory staff with the federal organizations, thanks to the assistance made available under the Five Year Plans. Every society should be under the supervision of some agency or other. Where central financing agencies are already responsible for supervision over agricultural credit societies our recommendation is that the present pattern of assistance on a tapering scale should continue to be extended for appointment of additional supervisory staff. Where supervision which has remained so far with the Co-operative Department is proposed to be transferred to central banks, which course we have favoured, the State Government should subsidise the cost of supervisory staff to the full extent in the first year, to the extent of 75 per cent in the second year and 50 per cent in the third year. Assistance to the extent of 50 per cent of the total cost should continue for a period of five years thereafter. Whether or not such assistance should be continued and if so, to what extent, may be reviewed at the end of the Fourth Plan.

CHAPTER VIII

LOANING OF DEPARTMENTAL STAFF

From the earliest days, almost in all parts of the country, co-operative societies—primary, central and apex—were expected to enjoy autonomy in the matter of their staffing. It was only in exceptional circumstances that officers of the Co-operative Department came to be put in charge of co-operative institutions at various levels. During recent years, in a majority of States, however, there is a growing tendency for the services of officers of the Co-operative Department to be lent to apex co-operative and other institutions to work in various responsible capacities. In some States there is the impression that detailing departmental staff to man important positions in co-operative institutions is one method by which the Co-operative Department can ensure that they function on right lines. The boards of management of some co-operative institutions often react favourably to this arrangement because it provides them with qualified and trained personnel to attend to managerial duties. It saves them from the trouble of looking out for and securing the services of persons who can be relied upon to undertake responsible duties. Acceptance of the arrangements, they believe, may smoothen relations with the Co-operative Department.

2. The extent of the deputation of departmental officers and the terms under which it is done in different States are given in the following paragraphs :

Andhra Pradesh

The Co-operative Department has been very liberal in the matter of deputing its staff to serve in co-operative institutions. 'Approved probationers' are lent on foreign service terms and the others under 'F.R. 127'. The incumbents under foreign service terms are allowed to draw in addition to their pay a deputation allowance generally at 25 per cent of pay. Those under F.R. 127, however, are not given this benefit and they continue to draw their pay from the Government. The co-operative institutions availing themselves of the services of departmental officers under foreign service terms are required to pay to Government pension and leave salary contributions. For officers deputed under F.R. 127 terms, they have to reimburse the average cost of the post. Posts sanctioned under F.R. 127 terms form a temporary addition to the cadre. At the end of March 1963, the number of such posts (i.e. under F.R. 127) was 226 (Deputy Registrars 34, Co-operative Sub-Registrars 44, Senior Inspectors 121 and Junior Inspectors 27). A Deputy Registrar, 20 Co-operative Sub-Registrars and 68 Senior Inspectors were deputed under foreign service terms to co-operative institutions.

In some cases, the Co-operative Department has favoured loaning of the services of its staff to institutions which are being given a subsidy for the appointment of staff, with a view to ensuring that the subsidy is fully utilized for the purpose. For instance, under the plan programme, subsidy

is being given to co-operative central banks at Rs. 250 per month on a sliding scale to appoint Deputy Registrars as Chief Executive-cum-Development Officers. Under this scheme of assistance, six central banks have availed themselves of the services of Deputy Registrars.

Besides, the Department maintains for the purpose of work of land mortgage banks special staff consisting of six Deputy Registrars and 46 Co-operative Sub-Registrars, the latter functioning as "land valuers". While the entire cost of the Deputy Registrars and fifty percent of the cost of Co-operative Sub-Registrars in the Andhra area is met by the Central Land Mortgage Bank, the entire cost thereof is met by the Government in the Telangana area.

The question of drawing up a panel of ten or more efficient Deputy Registrars duly trained in industrial concerns, from which postings as Business Managers/General Managers in spinning mills or sugar factories might be made, has recently engaged the attention of the State Government. This would, it is claimed, help in ensuring that an officer deputed to an institution is not retained for more than three years and that experienced officers alone are posted to these institutions.

Assam

Two Assistant Registrars, ten Deputy Co-operative Officers and four Assistant Co-operative Officers have been deputed to co-operative institutions on foreign service terms and are granted deputation allowance not exceeding 20 per cent of their grade pay. Nine Deputy Co-operative Officers and 29 Assistant Co-operative Officers are attached to co-operative institutions.

Bihar

Departmental officers are provided to central co-operative banks and marketing societies and their cost is borne by the State Government. The services of some departmental staff are also made available to certain co-operative institutions e.g., Co-operative Federation, Marketing Union on varying foreign service terms. The State Government has under consideration a proposal to place managerial and supervisory staff with central co-operative banks on a deputation basis.

Gujarat

The services of departmental personnel are lent to co-operative institutions like central co-operative banks, marketing societies, processing societies etc., as and when a specific request is made by the institution concerned. Generally, requests from co-operative institutions are considered favourably. The usual terms and conditions of deputation are : (i) 20 per cent deputation allowance, (ii) period of deputation to be for one year initially and (iii) other compensatory benefits to be borne by the institution concerned. These terms and conditions remain unchanged irrespective of the capacity of the institution. In one case, however, the Government waived the recovery of leave contributions in view of the financial position of the society. There are at present 22 persons on deputation with co-operative institutions. None of them, however, is with any central co-operative bank.

Jammu & Kashmir

There are 9 Auditor-cum-Supervisors on deputation with land mortgage banks as Branch Managers. They are allowed a deputation allowance of 20 per cent of their basic pay.

Kerala

There are on deputation with various co-operative institutions 3 Assistant Registrars, 11 Senior Inspectors and 13 Junior Inspectors.

Madhya Pradesh

The staff deputed to co-operative institutions are allowed a deputation allowance of 20 per cent of their pay. The deputation is made for one year in the first instance and renewed year after year. No maximum period has been laid down for the purpose. However, where an officer is to be continued for more than 5 years, special sanction of the State Government is necessary. The confidential reports of the staff thus deputed are written by the State Government in the case of gazetted officers and by the Co-operative Department in the case of non-gazetted staff after getting the opinion of the concerned institutions. At present, 20 gazetted officers and 54 non-gazetted employees have been placed on deputation with co-operative institutions.

Madras

There are on deputation with co-operative institutions one Joint Registrar, 57 Deputy Registrars, 134 Co-operative Sub-Registrars, 326 Senior Inspectors and 46 Junior Inspectors. The staff get 20 per cent of their pay as deputation allowance. The borrowing institutions have to meet the leave salary, pension contribution and the cost of medical and educational concessions for which the officers are eligible. The staff placed on deputation with co-operative institutions under F. R. 127 terms draw their pay from the Government treasury and appear to be under the administrative control of the Co-operative Department.

Maharashtra

It is reported that there is a demand from co-operative institutions to have experienced departmental officers to function as Secretaries, Accountants, Managers, etc. and that it has not been possible for the department to meet this demand in full. The Co-operative Department has made available to co-operative institutions the services of two Joint Registrars (super time scale), 9 Class I officers and 23 Class II officers. The exact number of staff at other levels who have been placed on deputation is not known. The staff are allowed a deputation allowance equal to 20 per cent of their pay. The institutions are required to meet leave and pension contributions besides travelling allowances of the staff for taking up the appointment and on reversion to the Department.

Mysore

The services of departmental staff are spared for one year in the first instance and later renewed year after year if required by co-operative institutions. No maximum period has been laid down for deputation of

departmental staff. Usually the staff are allowed a deputation allowance of 10 per cent and in special cases like sugar factories at 20 per cent. At present the following staff have been placed on deputation with co-operative institutions ;

Joint Registrar	1
Deputy Registrars	9
Assistant Registrars	36
Senior Inspectors	40
Inspectors (including Instructors)	140
Junior Inspectors	32

The Department has spared the services of Inspectors to the Central Land Mortgage Bank at the rate of one per district to function as "Land Valuation Officers". These Inspectors are allowed a deputation allowance of 10 per cent of their pay. Administrative control over them is with the Bank.

Orissa

While some of the staff are lent at the request of co-operative institutions, some are "attached" to them. In the former case the cost of the staff is generally met by the respective institutions while in the latter case the cost is borne by the Co-operative Department. The total number of officers at different levels so deputed is given below :

Deputy Registrar	1
Assistant Registrars	11
Sub-Assistant Registrars	54
Senior Inspectors	50
Junior Inspectors	35

Punjab

Three Assistant Registrars, 15 Inspectors and 3 from the ministerial staff are on deputation with—co-operative institutions. The staff get a deputation allowance of 20 per cent on their grade pay. No portion of their emoluments is borne by Government.

Rajasthan

The staff placed on deputation with co-operative institutions are eight Deputy Registrars, 12 Assistant Registrars, 70 Inspectors and 32 Assistant Inspectors. The staff are allowed a deputation allowance of 20 per cent of their pay. The deputation is made for one year, in the first instance, and renewed year after year if required. No maximum period has been fixed. The confidential reports of the staff are written by the heads of the concerned institutions and sent to the Co-operative Department.

Uttar Pradesh

Three Deputy Registrars have been placed on deputation with the State Co-operative Land Mortgage Bank, the State Co-operative Bank and the U. P. State Warehousing Corporation. An Assistant Registrar has

also been placed on deputation with the State Co-operative Land Mortgage Bank. Another Assistant Registrar has been deputed to a central bank, and a Dairy Manager to the Lucknow Milk Supply Union. The services of 9 Group I and 5 Group II Inspectors and 1 Assistant Development Officer have been placed on deputation with co-operative institutions. The staff deputed to co-operative institutions draw an additional 20 per cent of their pay during the period of foreign service.

West Bengal

Where the services of officers are lent to co-operative institutions their pay and allowances are borne by the Government. (These include a Banking Expert of the Directorate deputed to serve as the Managing Director of the West Bengal Provincial Co-operative Bank, an Assistant Registrar as the Executive Officer of the West Bengal Weavers' Co-operative Marketing Society and an Assistant Registrar as the Manager of the Central Land Mortgage Bank). The services of departmental staff are also lent at the request of co-operative institutions as provided under Section 24 of the Bengal Co-operative Societies Act, and their cost is borne by the respective institutions. In some cases the cost of the staff is borne by Government. The deputation of staff is generally restricted in the first instance to a period of one year but is usually renewed at the request of the institution.

3. Before we discuss this subject further it is necessary to set forth certain aspects which are relevant for the consideration of the matter. The officers of the Co-operative Department have been deputed to hold chief executive posts in a large number of institutions. These officers influence the decisions of the boards in institutions where they work. It is not in every case that the departmental officer is adequately trained to manage the institution to which he is deputed. Some amount of specialization is necessary to manage institutions like central co-operative banks, marketing societies, land mortgage banks, farming societies, consumers stores, etc. No special efforts have been made to build up such specialized staff within the Co-operative Department in any appreciable degree although the matter has just begun to receive some attention in Andhra Pradesh. Moreover, as the departmental officers are posted to the institutions on a deputation basis and are changed from time to time they may not apply themselves whole heartedly to the building up of the institutions and there is the possibility of their treating the period of deputation with the institutions as a mere stage in their service in the Department. It cannot also be assumed that they would develop in every case a sense of identification with the institutions to which they are posted.

4. It is clear that the deputation of departmental officials to co-operative institutions has assumed large proportions. The deputationists broadly fall into three categories. Firstly, there are officials of the Department who are appointed by Government/Registrar to hold executive posts in co-operative institutions. They receive their pay and allowances from the Government and the cost is not recovered from the co-operative societies. In financial terms, this is tantamount to the Government giving managerial subsidy equivalent to their cost to these societies. Under such an arrangement, strictly speaking, it cannot be said that the officials are on deputation with the societies. Although we have been informed that these officials are to

carry out the direction of the democratically elected boards of management of these societies, it is not unlikely that these bodies may not be able to exercise full authority over such employees. The boards of directors have no voice in the appointments. They cannot take disciplinary action against the officers. Such an arrangement is bound to impair the sense of responsibility of the boards of directors of these societies and would place a curb on their initiative. At the very least, it will give rise to dual control and considerably dilute the autonomous character of these institutions. We are of the opinion that such a practice should be discouraged. The proper course would be for Government to provide these societies managerial subsidy on an appropriate scale. It would be in order for the Government to lay down qualifications for the staff, the cost of which would be met out of the subsidy and beyond that there should be no restriction on the freedom of the societies to select suitable persons for appointment to these posts. This does not mean that the society may not ask, on loan, the services of departmental persons, but then such officials would be selected by the board of directors themselves on the usual deputation terms and during the period they serve the societies, they should be under the full control of their board of directors.

5. In the second category are the co-operative officials who are appointed by the Registrar/State Government to serve in co-operative institutions under terms similar to F.R. 127 in Andhra Pradesh and Madras, in pursuance of Resolutions passed by them. The average cost of such staff is recovered from the institutions concerned. Under this arrangement also, it is difficult to see how co-operative institutions through their boards of directors can have full control over the staff, although we were informed that they were bound to carry out the directions of the boards of directors and that the latter were competent to move for disciplinary action being taken against them, when necessary. The appointment of such staff is with the Government department and not with the institution. Their tenure and transfer are determined by the Government department. Their work and conduct are reported upon by higher Government officers. In special circumstances, there can be no objection to a society asking on loan the services of a Government official to hold any particular post in it. But in that case the decision should be one that is freely taken by the board of directors itself and there should be no pressure from the Department. The impression that we have gathered is that the boards of directors are not always free agents in this respect. They feel that to be on the right side of the Department, they should agree to take a departmental officer on one of the key posts. It was also represented that departmental officials occasionally gave the impression to a society that it might attract regulatory and penal powers of the Registrar if it did not agree to take a nominee of the Department to serve with it. While some co-operators examined by us expressed themselves strongly against the practice of wholesale deputation of Government officials to co-operative societies, there were others who seemed to favour the system, particularly as there was a dearth of trained and competent persons to be recruited from the open market.

6. We are of the opinion that for co-operative institutions to borrow the services of departmental staff as a regular arrangement is not healthy and detracts from their autonomous character. To secure services of Government officials on deputation should be an exception rather than the

rule. We would recommend that extensive use of an expedient like that under F.R. 127 in Andhra Pradesh and Madras should be discouraged and that where necessary the services of Government officials should be lent to co-operative institutions only on the normal deputation terms.

7. This brings us to the third category of Government officials who serve co-operative institutions for a limited period under usual deputation terms. Such an arrangement in the formative stages of institutions of a specialised nature like marketing, processing or manufacturing and in the context of the difficulty of recruiting suitable persons on remuneration that these societies can afford to pay may be unavoidable. But it should be an interim arrangement and in due course should give place to the society having its own employees or securing the services of persons borne on common cadres of co-operative federal institutions, when these come to be developed. We would like to make the following further suggestions :

(i) The State Government should clearly explain to the societies that subject to certain qualifications that may be prescribed they are free to select their employees and that the quantum or the continuance of managerial subsidy is not contingent on their obtaining the services of a departmental officer. It would, of course, be open to State Governments to lay down minimum qualifications for various posts, the cost of which is to be met out of the managerial subsidy.

(ii) If the board of directors of any society decides to ask for the services of a Government official on deputation, then the proper course would be for it to request the Registrar of Co-operative Societies to send it a panel of names of suitable Government officials along with their character rolls ; the selection should be made by the board of directors of the society itself.

(iii) The president of the board of directors of the society should be entitled to enter in the confidential file of the Government official remarks regarding his conduct and work during the period of deputation with the society.

(iv) The board of directors should be entitled to recommend disciplinary action against the Government official concerned, if after following the prescribed formalities it comes to the conclusion that he has been remiss in the performance of his duties.

“Cadre” for Co-operative Institutions

8. As we have pointed out in the introductory chapter we were asked at a fairly advanced stage of our work to study the question of ‘cadres’ for the increasing number of co-operative institutions that were coming up in different sectors of the economy. Owing to lack of time we were not able to issue any questionnaire on the subject. We, however, invited the views of Registrars, State co-operative banks, State co-operative unions and State co-operative marketing societies, particularly in regard to the following aspects :

- (i) Whether the creation of a ‘cadre’ is necessary and feasible and if so, for what types of institutions and at what levels ?

- (ii) If the creation of a cadre is considered to be necessary, would it be objected to by some among the institutions concerned as being inconsistent with the concept of co-operative autonomy ?
- (iii) For the proposal to be implemented, whether any amendment to law relating to Co-operation would be considered necessary ?
- (iv) What type of arrangements would you envisage for appointment, punishment and control of personnel brought under such cadres ?

In response to our letters, the Registrars of Assam, Gujarat, Jammu & Kashmir, Kerala, Madhya Pradesh, Maharashtra, Mysore, Orissa, Punjab, Rajasthan and West Bengal ; the State Co-operative Banks of Bihar, Gujarat, Kerala, Madras, Orissa, Rajasthan and West Bengal ; the State Co-operative Unions of Gujarat, Madhya Pradesh, Madras, Mysore and Orissa and the State Co-operative Marketing Societies of Gujarat and Uttar Pradesh sent in their views to us. The Ministry of Community Development & Co-operation also forwarded to us a copy of the memorandum submitted to the Minister for Co-operation by the All-India Central Land Mortgage Banks Co-operative Union, for our consideration.

We summarize briefly the views that have been put forward. While the Registrar of Co-operative Societies, Assam, is of the view that the idea of creating a cadre for various co-operative institutions is premature and is beset with practical difficulties in respect of appointment, punishment and control, the Kerala State Co-operative Bank does not consider the creation of a cadre as feasible, as it affects seriously the autonomy of individual institutions. The Registrar of Co-operative Societies, West Bengal, and the apex co-operative bank of the State consider that at the present stage of co-operative development in the State the creation of a cadre is possible only for the provincial and central co-operative banks. The Tamil Nadu Co-operative Union is of the view that the creation of a cadre can be effected at the district level and separately for different groups of co-operative institutions, and the administration thereof may be entrusted to separate committees. The apex marketing societies of Gujarat and Uttar Pradesh have expressed themselves in favour of the creation of cadres for certain types of societies. The former is of the view that there may be a cadre at the district level for co-operative cotton ginning and pressing societies, rice mills, oil mills and groundnut decorticators. The Uttar Pradesh Co-operative Federation has suggested the creation of a central cadre in the apex institutions from which both the marketing societies and the district wholesale stores may draw their secretary-cum-managers and managers, respectively. It was brought to our notice that the question of creating a cadre had already been engaging the attention of co-operative institutions in some States. In Mysore, the State Government have appointed a committee under the chairmanship of a retired High Court Judge to go into the question of co-operative cadres and service conditions for employees in co-operatives. In West Bengal, a committee was set up by the first conference of central co-operative banks held in 1961 to examine the feasibility of creating an "Integrated Banks' Service".

The committee came to the conclusion that there was scope for the creation of such a service in the category of supervisory staff of the apex and central co-operative banks. In Rajasthan the State Co-operative Bank has drawn up a scheme for securing the integration of services and

uniformity of scales of pay etc. of the managers of central co-operative banks and officers of equivalent cadre in the Rajasthan State Co-operative Bank. The scheme provides for classification of banks on the basis of working capital, so as to ensure that the scale of pay fixed for managers takes into account the ability of the institutions to meet the cost. In Orissa, a cadre committee has been constituted with the President of the State Co-operative Bank as chairman and the Registrar of Co-operative Societies and five representatives of central banks as members to recruit, train and determine scales of pay, service conditions etc. of secretaries and managers required for central co-operative banks. Similarly, a "Central, Cadre Committee" has been proposed for secretaries for regional co-operative marketing societies.

9. We should like to start with the observation that it should be the accepted policy of Government to see that officials are withdrawn from executive posts in co-operative institutions, which should build up a staff of their own. It may happen that when administrative personnel are recruited by the institutions themselves, local or parochial considerations other than merit may occasionally weigh in the matter of recruitment. Some co-operative institutions like central banks, marketing societies and co-operative sugar factories which require persons with specialized knowledge are not able to find persons with the requisite qualifications, training and experience, firstly because of the relatively lower scales of pay and future prospects and secondly due to lack of security and permanence of service. The creation of one or more cadres for the following types of co-operative institutions has hence been suggested :

- (a) Secretaries or managers of apex co-operative marketing society, apex weavers' society and other apex institutions of a trading nature ;
- (b) Managers of co-operative processing societies and wholesale consumers' stores ;
- (c) Managers of primary co-operative marketing societies ;
- (d) Managers of central banks ;
- (e) Managers of primary land mortgage banks ;
- (f) Managers of industrial co-operatives ;
- (g) Secretaries or managers of milk co-operatives and
- (h) Managers of agricultural credit and service societies.

The creation of one common cadre for all types of societies has not been suggested anywhere since each type of institution will require specialized knowledge and training. As the ability to meet the cost of staff would differ from institution to institution, there may be two or more categories in each cadre, from which persons may be posted, taking into account the needs and capacity of the recipient institutions. While some would consider that the cadre to be created should be administered by an authority constituted by the Registrar of Co-operative Societies, others hold the view that there should be a committee consisting of the concerned apex organization, the Registrar and a few representatives from the class of institutions for whom the cadre is being created. The Registrar of Co-

operative Societies, Madhya Pradesh, is of the view that this committee should consist of the chairmen of all apex co-operative organizations in the State and the Registrar of Co-operative Societies. This authority will be charged with the responsibility for the recruitment, training and major punishments, while administrative control and minor punishments will be left to the co-operative institutions to which they are deputed. While, some consider that no amendment of the Co-operative Societies Act would be necessary for creating the cadre, there are others who believe that an amendment of the Act is necessary. The following provision in the law in Jammu & Kashmir would appear to support the former view :

Rule No. 105 A. a. Appointment of officers as an employee and removal of members of Committee Officer or an employee :

In any registered society the appointment of officers (other than the members of the Committee) as an employee shall be subject to such directions as the Registrar may from time to time issue in this behalf.

The provision under the law in West Bengal is more specific although it has remained a dead letter so far :

(1) The State Government may constitute an authority to appoint and control in such manner as may be prescribed, the staff required for the supervision of co-operative societies, other than such staff as may be appointed by the State Government for the purposes of such supervision, and such authority shall be composed of such number of persons and shall perform such other functions as may be prescribed :

Provided that, of the persons composing such authority, three fourths shall be elected by co-operative societies in such manner as may be prescribed and one-fourth shall be nominated by the Registrar in such manner as may be prescribed.

(2) A co-operative society shall be liable to pay, to an authority constituted under sub-section (1), such fee, in such manner as may be prescribed.

10. It has been urged that the proposal to create cadres for co-operative institutions is not likely to be objected to as being inconsistent with the concept of co-operative autonomy since the power to take a decision is transferred to a representative body or a federal agency.

11. While the need for strengthening administration is appreciated resistance arises on the following grounds :

(i) The surrender of autonomy to a federal agency is not wholly acceptable. Besides, there is the fear that smooth working may be affected if responsible posts are held by persons who are appointed by an outside authority and who are not fully amenable to the control of the local management ;

(ii) To strengthen the machinery of administration, it would do, it is suggested, if the Co-operative Department prescribes the minimum qualifications, training etc. to be fulfilled by the staff of co-operative institutions and it should be left to the institutions to recruit their staff from among persons who satisfy the qualifications prescribed ;

(iii) The co-operative institutions for whose benefit the cadre has been suggested are of varying financial strength. The scale of pay of the staff varies from one institution to another depending upon its financial strength. When a cadre is built up it would not make any distinction ; the stronger institutions will be benefited at the cost of the weaker ones ;

(iv) A person is likely to take more interest in and get identified with the institution when he is appointed by that institution and his future prospects depend upon its progress. A person drawn from the cadre is more often likely to be indifferent to building up its business ;

(v) When once a cadre is created, it will be difficult, if not impossible to get rid of an inefficient person ; and

(vi) The argument that in the absence of a cadre an employee will have to remain with the same institution is not correct. A manager of a large-sized society can be appointed as a supervisor in the central bank ; a manager of a primary marketing society can be taken in by the apex marketing society as its assistant manager. In fact, the smaller institutions should serve as feeders to higher institutions in the co-operative structure.

12. We were not able to discuss the various issues that arise in the consideration of the question of creation of a 'cadre' for co-operative institutions, with the officials and non-official co-operators whom we met in the early stages of our work. We observe that there is a strong body of opinion in favour of having separate cadres for co-operative institutions particularly for the 'key personnel' of central co-operative banks, primary marketing societies, and primary land mortgage banks. In fact, as we mentioned earlier, a few States have moved in this direction where official and non-official opinion is in favour of such a step.

13. We have carefully considered the arguments advanced for and against the creation of cadres. We agree that in the present situation obtaining in many States, where a large number of co-operative institutions have requisitioned the services of departmental officers, the creation of a cadre will mean a significant step towards de-officialization of the movement. At the same time we are conscious of the many practical difficulties that will have to be encountered in an experiment of this kind. In many States, in the present stage of development of the movement, the number of institutions that will be served by a particular cadre, the uneven size and business of the institutions and the uncertainty of the boards of such institutions being attracted to the idea of a cadre, it may be premature to think in terms of 'cadres' of personnel to cater to different types of institutions such as central financing agencies, primary marketing societies, primary land mortgage banks, etc.

14. We observe that in a few States, the Co-operative Department has prescribed the minimum qualifications that should be satisfied by the

staff of co-operative institutions and these and other service conditions have been incorporated in the by-laws of societies. This should ensure that the co-operative institutions are manned by qualified persons, besides providing some security and permanence of service to the employees. We suggest that in States where this has not been done, the Co-operative Department may, in consultation with the appropriate federal organizations, lay down the qualifications etc. that should govern the appointment of staff in different types of co-operative institutions.

15. In our opinion the federal organizations can help a great deal in the matter of providing their affiliated societies with the managerial and other personnel. In this connection, we would like to make reference to recent action taken by the National Federation of Co-operative Sugar Factories. The Federation invites applications from qualified candidates, interviews them and selects the most suitable persons for appointment by sugar factories. It was also reported to us that one State co-operative bank maintained on its staff a certain number of officers duly qualified and trained, whose services were being lent to central financing agencies that were in need of managerial personnel. We are, therefore, of the view that the federal organizations should assume such responsibilities and ensure that their affiliated organizations are manned by adequately qualified and trained staff.

16. If cadres cannot be created for the reasons mentioned in paragraph 13, the services of departmental officers may have to be lent to co-operative institutions in certain circumstances, until federal organizations are able to provide the necessary personnel or extend support as suggested above. Such deputations should be permitted only on the conditions we have indicated earlier. While deputing staff care should be taken to see that the normal work of the Department is not affected in any manner.

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CHAPTER IX

RECRUITMENT AND TRAINING

In the earlier chapters we have dealt with the strength and status of staff which the Co-operative Department should maintain at different levels for the discharge of its wide and varied functions. We have also stressed that for the implementation of the various co-operative development programmes contemplated under the Third Five Year Plan, the building up of an adequate and efficient administrative machinery is of paramount importance. An aspect no less important for efficient administration of the Department is the quality of its personnel. As far back as in 1937, the Reserve Bank had observed in its Statutory Report that :

In order to infuse new life into the societies, to introduce the various reforms we have suggested and to secure the growth of the movement on right and sound lines a highly progressive, efficient and well-trained staff is a vital necessity. (Chapter III, para 31)

The activities of the Co-operative Department have expanded considerably since then and have received considerable impetus under the Five Year Plans. The need, therefore, of recruiting the right type of personnel for the Department and making adequate arrangements for their training has assumed special importance. We propose to go into these aspects in this chapter.

Co-operative Service

2. A prerequisite of sound recruitment practices is the existence of a well-organized Service with tiers and pay scales worked out on a rational basis. In Chapter II, we have stated that a distinct and separate Co-operative Service exists in all the States except Assam, Bihar and West Bengal. In West Bengal, the senior posts in the Department viz. the posts of Joint Registrars and Deputy Registrars have no separate scales of pay. The officers holding these posts get only a 'special pay' over their pay in the scale of Assistant Registrar. Similarly, in Uttar Pradesh, there is no separate scale of pay for Additional Registrars who receive only a special pay over the grade pay of the Deputy Registrar. Unless a distinct service is constituted for the Co-operative Department and separate scales of pay are fixed for staff at different levels, it may be difficult to attract to it adequately qualified candidates.

3. We have pointed out earlier that in some States the scales of pay of the staff of the Co-operative Department at certain levels are lower than those of the corresponding staff in other development departments. This position is not conducive to the building up of an efficient service in the Department. In support of the present disparity it was pointed out to us that the staff of other development departments needed technical qualifications (e.g. agricultural graduate) and that they had a larger jurisdiction and relative lower prospects for further promotion in their departments.

On the other hand, it was also represented to us that inasmuch as the duties performed by co-operative staff included those relating to subjects such as accounts, banking, co-operative law, management, etc., the Co-operative Department should also be deemed to be a 'technical' department. While the Co-operative Department may not be designated a technical department, we consider it to be a specialized department possessing certain skills, aptitudes and abilities which have to be acquired through special training and effort. Only those who have innate ability as evidenced by a distinctive academic background can be expected to absorb the skills mentioned above. Even though technical qualifications are not a prerequisite of recruitment into the Co-operative Department, a fairly high degree of intellectual equipment is essential in the staff to be recruited for the Co-operative Department. In order that such persons are attracted to the Department, the Service should not only comprise levels indicated by us in Chapter IV but also provide for status, pay scales, special pays and other benefits at the various levels, which are not lower than those enjoyed by their counterparts in other development departments in the State.

Pay Scales in Various States

4. We have made a reference in the previous paragraph to the disparity found in some States in the pay scales of co-operative departmental staff vis-a-vis those of other development departments in the same State. A comparative study of the pay scales of the co-operative departmental staff at the same level in different States also presents a picture of wide disparity. For instance, the starting pay of a Joint Registrar is Rs. 800 and above in nine States while in two States it is Rs. 550 and Rs. 600. The maximum in this scale is Rs. 1,200 or over in five States (being Rs. 1,500 in one of the States) but only Rs. 900 in one State. Similarly, the minimum pay fixed for an officer of the rank of a divisional officer varies from Rs. 300 to Rs. 690 and the maximum from Rs. 550 to Rs. 1,200. The officer in charge of a district or a circle starts on Rs. 300 and above in six States. In three States he starts on Rs. 200. The maximum of the time scale for this post ranges from Rs. 400 to Rs. 1,100. The non-gazetted officer immediately below the district or circle officer starts on Rs. 100 in two States and Rs. 150 in two other States but over Rs. 150 in the remaining States. The maximum pay in this category varies from Rs. 190 to Rs. 400. The scale of pay for the lowest category of field staff ranges between Rs. 50—90 in one State and Rs. 150—290 in another. The starting pay is less than Rs. 100 in four States and the maximum pay in the scale is Rs. 150 or less in seven States. In pointing out these wide disparities in the pay scales of co-operative departmental officers as among different States, it is not our intention to suggest that the pay scales should necessarily be uniform throughout the country, nor do we consider it practicable to do so. We would, however, urge the State Governments to re-examine the existing pay scales of staff at different levels of the Co-operative Department in the light of the responsibilities attaching to them and revise them in such a way as would attract to the Department the type of personnel that it needs.

Present Position in Regard to Recruitment Rules

5. Except Assam, Bihar, Jammu & Kashmir and Madhya Pradesh all the the States have drawn up a set of rules governing recruitment to

various categories of staff in the Co-operative Department. In Assam, the Departmental Service Rules embodying the recruitment procedure are under examination by the State Government. In Bihar also the Recruitment Rules are under the State Government's consideration. In Jammu & Kashmir and Madhya Pradesh they have yet to be drawn up. In the following paragraphs we indicate the position in regard to recruitment of co-operative departmental staff at various levels and our broad recommendations thereon.

Gazetted Officers

6. In almost all States the posts of functional advisers at headquarters viz. Additional Registrars or Joint Registrars are filled by promotion of departmental officers or by officers drawn from the I.A.S. and the State Civil Service. In Bihar, for instance, three of the six Joint Registrars in the State have been drawn from the I.A.S. cadre and two from the State Civil Service. The post of the Additional Registrar is held by an I.A.S. officer in Rajasthan. In Orissa, the Additional Registrar who is in charge of handloom and other industrial co-operative societies has been directly recruited. In Andhra Pradesh and Madras, the post of Joint Registrar is filled by selection from among Deputy Registrars on the basis of merit, seniority being taken into account when merit is approximately equal. In Jammu & Kashmir, the post is reported to be filled by promotion from the next lower cadre or by direct recruitment. We are not, however, aware whether the post of the Joint Registrar has at any time been filled in the State by the latter method. In Bihar, officers with aptitude for development work and with a good record of service and in Orissa, the senior-most officer in the Class I Co-operative Service with intimate knowledge in organisation, supervision and administration of various types of societies are stated to be promoted to the post of the Joint Registrar.

7. We have in an earlier chapter gone into the question of drawing I.A.S. officers into the Co-operative Department. We have suggested that in every State a small number of I.A.S. officers should be taken through postings in the Co-operative Department so that when the post of the Registrar falls vacant the State Government will be in a position to make its choice from a fair number of I.A.S. officers who have had co-operative experience. This does not mean that there need be more than one or two I.A.S. officers posted in the Co-operative Department at any given time, specially at the level of Joint Registrar. Except for the posts of Joint Registrar occupied by I.A.S. officers, recruitment at this level should be by promotion from among departmental officers. We are not in favour of State Civil Service Officers being taken to fill the posts, on a tenure basis, because the experience which they acquire in the Department is not likely to be of subsequent use to the Department. We are of the view that drawing in of officers from the State Civil Service should be an exception and not the rule, the exceptions being made, for example, when no suitable departmental officer is available for promotion. Such contingencies are likely to arise only during the initial stages of the constitution of the Co-operative Service.

8. As the posts of Joint Registrars carry considerable responsibility and officers holding them are expected to advise the Registrar and

control and guide the work of divisional and district officers, we are of the view that only those officers should be considered for promotion as Joint Registrar who have put in at least five years in the higher grade of Class I (which we have recommended for divisional officers) or ten years in Class I (which we have suggested for officers in overall charge of districts), or an equivalent combination of both.

Appointment of Divisional Officers

9. As we have indicated earlier, in most States where divisional offices have been established divisional officers are of the rank of Deputy Registrars, the exceptions being Andhra Pradesh and Maharashtra where Joint Registrars are posted as divisional officers. A few posts of divisional officers are also carried on the headquarters establishment to assist the Registrar and the Joint Registrars on a functional basis. Appointments at this level are made either by promotion of departmental officers or by direct recruitment or both. In Uttar Pradesh the posts are also filled by transfer of officers drawn from the State Civil Service. To be eligible for appointment to these posts, an officer has to have at least ten years of service to his credit in the Co-operative Department as Class II Officer or in the executive branch of the State Civil Service or both combined. The qualification for direct recruitment in this State is a degree of a recognised university, preference being given to graduates who have specialised in economics, agriculture, banking or marketing. In other States viz., Assam, Bihar, Madhya Pradesh, Mysore, Orissa, Rajasthan and West Bengal, the post of the Deputy Registrar is filled by promotion. In Assam and Bihar, the promotion is made on the recommendation of the Public Service Commission from among Assistant Registrars having a good record of service, while in Mysore, a minimum of 5 years' service as Assistant Registrar is necessary for an officer to be eligible for promotion. In Orissa and West Bengal, officers of the State Civil Service are also sometimes appointed to the post.

10. We have indicated in Chapter IV that the status of a divisional officer should be higher than that of the highest officer in the district. It is possible that in some States this post may be equated to that of the functional specialist (i.e., Joint Registrar) at headquarters. In the latter event, our recommendations in paragraph 8 will hold good for filling this post. Where the post constitutes a level one step lower for which we have suggested the status of Class I—Higher Grade, our recommendation is that it should be held by an officer who has had at least four years' experience in Class I (i.e. the level of officers in charge of whole districts) or ten years' experience in Class II or an equivalent combination of both. We do not recommend direct recruitment of officers to fill the posts of divisional officers, as only officers with some experience of the Department could be considered suitable to co-ordinate the work of district offices in the division.

Appointment of Officers in the Districts

11. The present position in regard to appointment of officers to hold the posts in the district and circle offices in the various States is briefly set out below :

In Bihar, until recently no direct recruitment had taken place at the

level of Assistant Registrars. In other States, the appointment is made both by promotion and direct recruitment. In West Bengal, appointments to the posts are also made by transferring personnel from the State Civil Service. The proportion between direct recruitment and promotion varies from State to State. In Madhya Pradesh and Rajasthan, appointment by the two methods is on an equal basis. In Madras, Orissa and Punjab, the ratio between direct recruitment and promotion is 1 : 2, in Kerala and Maharashtra it is 1 : 3 and in Mysore it is 2 : 1. In West Bengal, half the number of posts are filled by promotion, one-third by direct recruitment and one-sixth by transfer from the State Civil Service.

A decision appears to have been taken in Assam to resort to direct recruitment for 25 per cent of the posts. In Kerala, twenty-five per cent and in Maharashtra fifty per cent of the posts of Assistant Registrars are filled by direct recruitment.

For direct recruitment to the posts of district level officers, the candidate should be a graduate of a recognised university, in Assam, Jammu and Kashmir, Mysore and Uttar Pradesh ; he should hold a degree in commerce, economics, mathematics, agriculture or statistics in Andhra Pradesh and Madras ; he should at least have a second class degree in arts, science, agriculture, commerce or law in Gujarat, Kerala and Punjab ; a master's degree (first or second division) in economics or commerce in Madhya Pradesh and at least a second class degree in economics, commerce, law or agriculture in Maharashtra. Preference is stated to be given in some States to candidates with co-operative experience. In West Bengal, the recruitment is on the results of the combined State Civil Service examination. For direct recruitment as Assistant Registrar, the qualification laid down in Maharashtra is at least a second class degree in arts, science, agriculture, commerce or law. In Kerala, the candidates should at least be second class degree holders or post-graduates.

For appointments to this cadre by promotion, the criteria are a good record of service, in Bihar ; seniority and merit, in Jammu and Kashmir ; at least five years' service in the lower cadre in Mysore and Orissa and 15 years' service in Uttar Pradesh.

12. In Chapter IV, we have gone into the question of the district organisation of the Department and have expressed the view that in districts comprising more than one circle it would be an advantage to have an officer who besides being in charge of a circle may also co-ordinate the work of other circle officers. We have also suggested that this officer belong to Class I of the service and that he may be designated as District Registrar. This post should, in our view, be held by an officer who has served at least for three years as circle officer (i.e. Class II) and has acquired experience in the administration of societies. This period should, however, exclude the period of training which the officer will have undergone before holding charge of the post of circle officer. We do not propose any direct recruitment at the Class I level and these posts should ordinarily be filled by promotion from the ranks of Assistant Registrars.

13. In regard to appointment to the posts of circle officers (Assistant Registrars), it would be desirable to reserve fifty per cent of the posts for

direct recruitment to draw in fresh blood to the Department. Such direct recruitment should in our opinion be on the basis of a competitive examination which may be held in common with other services as well. For appointments to the co-operative service, we would recommend some weightage being given during the viva voce test to candidates who hold degrees in co-operation, economics, commerce, agriculture or statistics. A diploma in co-operation in addition to a degree in some other subject should also entitle a candidate to a similar weightage. The remaining posts viz. fifty per cent may be filled by promotion of departmental officials from the immediately following non-gazetted level, on the basis of merit as well as seniority. We consider that a minimum period of five years of field experience at the level equivalent to what we have designated as Grade I Inspector or Senior Auditor should be prescribed so as to ensure the requisite experience.

Non-gazetted

14. The non-gazetted posts in the Co-operative Department do not bear uniform designations in all the States. They generally include the posts of Sub-Assistant Registrars, District Auditors, Co-operative Sub-Registrars, Senior Inspectors, Junior Auditors, etc. Appointments to the senior posts i.e. those immediately below the gazetted level, are made both by direct recruitment as well as by promotion from the next lower cadre. The posts of Deputy Co-operative Officers in Assam and Co-operative Officers in Gujarat and Maharashtra are filled only by departmental promotion. In the other States, these posts are filled by both direct recruitment and promotion. According to the information furnished to us, an equal number of posts is filled by direct recruitment and promotion in Madhya Pradesh, Mysore and West Bengal while the ratio between the two is 1 : 3 in Kerala, 1 : 2 in Orissa, 2 : 3 in Madras and Rajasthan and 3 : 1 in Uttar Pradesh. The qualification generally prescribed for direct recruits to these posts in Andhra Pradesh, Bihar, Madras, Mysore, Orissa and Uttar Pradesh is a university degree. At least a second class degree is insisted upon in Kerala and Maharashtra, while preference is given to commerce graduates in Andhra Pradesh, Bihar and Madras for some of the posts. In West Bengal, direct recruitment is made through a written examination and viva voce test.

15. For promotion to the posts of Co-operative Sub-Registrars in Andhra Pradesh and Sub-Assistant Registrars in Orissa at least five years service in the next lower cadre is insisted upon. In the latter State, for promotion to the post of Senior Inspector, a Junior Inspector should have worked for at least 3 years if he is a graduate, 4 years if he has passed the intermediate examination and 5 years if he is a matriculate. The promotion is said to be made on the recommendation or with the concurrence of the Public Service Commission in Bihar and Madhya Pradesh, and by a Departmental Committee with the Divisional Joint Registrar as chairman in Maharashtra.

16. The recruitment to the lowest cadre of non-gazetted staff in the Co-operative Department viz., Junior Inspector, Junior Auditor, etc. is largely by direct recruitment. In Andhra Pradesh, clerks and typists who have put in two years' and four years' service respectively in the Co-operative Department and who passed the departmental examination in book-keeping and audit are eligible for the posts of junior inspectors. In

Maharashtra, ordinarily 25% of the posts in the lowest cadre are filled from the ministerial staff through selection by a departmental committee. Half the number of posts of auditors who form the lowest rung in West Bengal is filled from supervisors of central co-operative banks, secretaries of credit societies and outdoor officers of land mortgage banks, provided they have been drawing salary of at least Rs. 75 per month in their posts. The remaining half is filled through a written examination and a viva voce test. In Madras, 15 per cent of the posts of junior inspectors are reserved for persons with experience in co-operative institutions.

17. The academic qualification fixed for the lowest rung official is a university degree in Assam, a pass in Intermediate examination in Andhra Pradesh, Madras, Orissa and Uttar Pradesh and a pass in the Matriculation, higher secondary or S.S.C. examination in Bihar, Jammu & Kashmir, Madhya Pradesh, Mysore, Punjab and Rajasthan. The recruiting authority is the Public Service Commission in Assam and a departmental selection committee in Madhya Pradesh and Maharashtra. In Rajasthan, the recruitment is entrusted to a District Selection Committee consisting of the Collector, Chairman of the Zilla Parishad and the Assistant Registrar of the concerned district while in West Bengal, the selection of candidates is made by a Committee constituted by Government from co-operative auditors.

18. We have suggested the creation of two tiers of non-gazetted field staff below the gazetted officer in charge of a circle, Inspectors Grade I and Inspectors Grade II. Our broad recommendation in regard to recruitment is that at the higher level there need not be direct recruitment. The posts should be filled by promotion of suitable persons from the rank of Inspectors Grade II or Junior Auditors with a prescribed minimum period of experience. At the lower level (i.e. Inspector Grade II) seventy-five per cent of the posts may be filled by direct recruitment on the basis of a competitive examination. The minimum qualification at this level should, in our opinion, be a university degree, preferably in co-operation, economics, commerce or agriculture. The scale of pay should be such as would attract graduates at this level. The remaining twenty-five per cent of the posts may be filled by selecting suitable employees of co-operative institutions (supervisors of central banks, secretaries of large-sized societies etc.), and supervisors/ministerial staff of the Co-operative Department. The existence of such promotional opportunities to the staff of co-operative institutions and to the staff at lower levels of the Department will be helpful in attracting qualified candidates for the lower categories of posts.

19. We have made broad recommendations in regard to qualifications and recruitment for various categories of posts in the Co-operative Department. In making these recommendations it is not our intention to suggest that there should be a uniform procedure or rigid pattern for all States, since in our view it is not proper to ignore local factors. For instance, in States like Orissa, we understand that the Co-operative Department has had of necessity to lower the educational qualifications already prescribed. While each State could evolve its own recruitment procedure taking into account our recommendations, we hope that there would be no half-hearted approach. Considering the very significant role that has been assigned to Co-operation in the planned development of the country, all steps taken to equip the department with staff of the right quality and in adequate number will be fully justified by the results.

Ministerial staff

20. The norms for ministerial establishment are laid down by every State Government and these are applicable to all Government departments. We have observed in some States the practice of deputing ministerial staff in the Co-operative Department for co-operative training. We recommend that where this is the practice a certain percentage of the posts in the Inspectors' cadre may be filled by promotion of suitable candidates from the ministerial staff.

Need for planned recruitment

21. In some States, we have observed that there is a large gap between the plan outlay provided for co-operative departmental staff and the amount actually utilised in the first two years of the Third Plan. In two States, as against the plan provision of Rs. 60 lakhs and Rs. 20 lakhs for departmental staff, the amount utilised in the first two years of the Plan was only Rs. 5.41 lakhs and Rs. 0.13 lakh, respectively. In another State, the corresponding figures are Rs. 71.70 lakhs and Rs. 14.40 lakhs. The main reasons for lower actual expenditure were stated to be some curbs on administrative expenditure, the pruning of Plan schemes or the delay in getting the necessary sanction from the Government. We have also observed that in many States there is great disparity between the sanctioned strength of the departmental staff and the staff in actual position. In many States this was attributed to the late sanction by the Government for the additional staff proposed by the Department. This has even led to the under-utilization of the existing facilities provided by the Committee for Co-operative Training. As the various plan programmes are drawn up sufficiently in advance, it should be possible for the Co-operative Departments to assess the requirements of staff one year in advance and to take steps to have the necessary staff sanctioned, recruited and trained. In the absence of such a planned programme of recruitment and training, implementation of the various developmental schemes will be adversely affected.

संयोजन जयन्त

All-India Co-operative Service

22. During our visits to the various States, representatives of a few recognized associations of co-operative officers urged that for co-operative administration all over the country to be put on a sound footing there should be an All-India cadre designated the "Indian Co-operative Service", on the lines of the cadres constituted for Engineering, Forestry, Medical Services and the one proposed recently for Agriculture. The arguments cited in support of the proposal were as under :

(i) Co-operation has been assigned a very significant place in the planned development of the country. It has to extend itself to diverse spheres of economic activity. The various functions of the Department should be left in the hands of competent officials.

(ii) The post of the Registrar is borne on the I.A.S. cadre with the result that officers with little or no experience or background in co-operative work are appointed to the post.

(iii) As the Registrar is from the I.A.S. cadre he is subject to frequent

transfers with the result that the continuity in the implementation of the Department's policies and programmes is not ensured. By the time he acquires some experience in the work of the Co-operative Department and develops a liking for the job, he is transferred.

(iv) An All-India Co-operative Service will ensure that the pay scales and status of the officers are attractive enough to draw in qualified and able candidates to the Co-operative Department.

(v) As the post of the Registrar is borne on the I.A.S. cadre it shuts out chances of departmental officers to rise to the position of the Registrar. An All-India Service would open up new avenues of promotion.

(vi) Experienced officers of the more developed States could be transferred to less developed States to build up and strengthen the co-operative movement.

(vii) An All-India cadre will ensure in the officers objectivity and independence in the discharge of their functions.

23. As this proposal was made to us at a somewhat late stage, we did not have the opportunity specifically of discussing it with Ministers, officials and non-officials whom we had met earlier. Some among the Registrars we met during the later portion of our examination, seemed to welcome the idea. They expressed the view that as an All-India cadre was being considered for Agriculture, officers of the Co-operative Department should not be placed in a position of relative disadvantage. Those who did not support the proposal adduced the following among other grounds :

(i) Co-operation is not a technical subject like Agriculture, Engineering, Forestry, etc.

(ii) There is not likely to be much need for co-operative officers at the Centre.

(iii) It is doubtful whether an experienced officer of one State can prove useful in another State as the conditions and problems of the people with whom co-operative officers have to deal vary greatly from State to State.

24. As we are not fully posted with the considerations that have led to the proposal to create an All-India Agricultural Service, we do not find ourselves in a position to give a clear opinion on the subject. If the question of constituting an All-India Co-operative cadre were to be considered in isolation without taking into account the material change which the constitution of an All-India Service for Agriculture might make in the situation, we would have perhaps said that the case for an All-India Co-operative Service is not self-evident. A matter like this cannot, however, be considered in isolation. We have urged earlier in our report the need for keeping the status of co-operative departmental officers at least on par with those of their counterparts in other development departments. This we consider as important not only from the point of view of securing effective co-ordination between the Co-operative and other departments.

but also from that of ensuring that the Co-operative Department gets its due share of qualified personnel. If an All-India Service in Agriculture is established, the relative status of officers of the Co-operative Department vis-a-vis those of the Agricultural Department is likely to be adversely affected. From this point of view, we would suggest that the question of creating an All-India Co-operative Service should be kept open, and a final decision taken only after detailed examination in the light of the situation that will emerge after the proposal to constitute an All-India Agricultural Service is finally disposed of.

Co-operative Training

25. In the task of building up a sound co-operative movement no factor has such great influence as the diffusion among all associated with it of knowledge of the principles and practice of Co-operation. The MacLagan Committee (1915) and the Royal Commission on Agriculture (1928) observed that one of the important factors which retarded the progress of the movement was the lack of training and understanding of the principles of Co-operation. Later, in 1935, on the basis of a scheme recommended by Sir Malcolm Darling, the Government of India came forward to aid the Provincial Governments to provide training facilities for co-operative departmental and institutional staff as well as for members of societies. Many Provincial Governments drew up programmes for implementing the scheme, but the progress made even after a decade was not satisfactory, as was observed by the Co-operative Planning Committee (1946). According to this Committee, there was need for the training not only members of managing committees and secretaries of rural co-operatives and of the staff of co-operative institutions but equally of the staff of the co-operative departments as well.

Central Committee for Co-operative Training

26. In 1953, following discussions between the Reserve Bank of India, Planning Commission and the Ministry of Food and Agriculture in the Government of India, there was formulated a comprehensive scheme of co-operative training. Under this scheme, the Reserve Bank was to provide funds and to be responsible for making arrangements for the training of intermediate and senior personnel of co-operative departments and co-operative institutions. The training of the subordinate staff was to be the joint responsibility of the State Governments and of the Government of India, the expenses in that connection to be met out of Plan provision for co-operative training and education. For formulating plans and for organizing and directing arrangements in regard to the training of departmental and institutional personnel in all the States, a high-power Central Committee for Co-operative Training was constituted, consisting of a few prominent non-official co-operators and representatives of the Government of India, the Reserve Bank of India and the State Governments. The Central Committee evolved an integrated scheme of co-operative training which provided, in fairly adequate measure, facilities necessary for the training of the staff of co-operative departments and institutions. By the end of the Second Plan 543 Senior Officers, 3,417 intermediate grade officers and 34,000 junior category personnel had completed training under this programme. Besides, 382 candidates

were given special training in land mortgage banking and 1,253 in co-operative marketing.

Study Team on Co-operative Training

27. In November 1961, the Government of India appointed a Study Team on Co-operative Training to examine, among other matters, the adequacy of the existing training arrangements, to suggest measures to ensure active association of non-officials in this work and to recommend the necessary arrangements for the effective administration and co-ordination of the programmes in charge of various agencies. The Study Team made several recommendations in regard to the re-organization of the administrative machinery for the conduct of training programmes, primarily with a view to decentralising the arrangements. These recommendations were considered in the Conference of State Ministers of Co-operation held in October 1961 at New Delhi. The Conference recommended that the administration of the training centres should be transferred to the State co-operative unions, wherever possible, on the basis of an agreed pattern. In States where the State co-operative unions were not in a position to take over the Intermediate Training Centres, it was recommended that they should be run by an organization to be set up at the Centre by the National Co-operative Union of India which might also be entrusted with the organization and administration of an institution for conducting study and research in Co-operation. In pursuance of these recommendations, the Committee for Co-operative Training was constituted by the Government of India on 1 July 1962. This Committee took over work relating to the co-operative training schemes from the Central Committee for Co-operative Training constituted in 1953 jointly by the Reserve Bank and the Government of India.

Existing Training Facilities

28. At present the Committee conducts an all-India institution viz., the National Co-operative College and Research Institute at Poona for training senior officers, 13 co-operative training centres for training intermediate officers and 66 training centres for junior officers. Ordinarily, Deputy Registrars, Assistant Registrars and other officers in the co-operative departments who direct and control work at the district level or above and the managerial staff of the apex and central co-operative banks are categorized as senior officers. Intermediate officers are those working next to senior officers and they usually include Co-operative Sub-Registrars, Inspectors, Auditors etc. in the Department and persons of equivalent rank in co-operative institutions. Junior Inspectors, Sub-Inspectors and Sub-Auditors in the Department, Supervisors and Accountants of co-operative banks and managers of primary co-operatives constitute the junior personnel.

29. The Senior Officers' course at the National Co-operative College and Research Institute, Poona, is intended to serve as an orientation course for officers who have already undergone some basic training such as at the intermediate officers' course and have at least three years' experience as a senior officer. The course seeks mainly to orientate the participants of the course in the latest developments in co-operative policy and practice. The training capacity per session is

40 and the duration of the course is six months for such candidates as have not completed any basic training course in Co-operation and five months for candidates who have undergone some basic training course in Co-operation.

30. The thirteen training centres for intermediate level officers provided basic training in co-operative theory and practice. Each centre has a capacity of accommodating 50 to 80 officers per session and the duration of the course is eleven months with one month's mid-term vacation. Ordinarily, these centres cater to the requirements of the States in which they are located except the centre at Kalyani which caters for the requirements of both West Bengal and Assam and the one at Bangalore which serves the States of Mysore and Kerala.

31. In addition to this general co-operative training, the National Co-operative College at Poona and the intermediate training centres at Madras, Meerut and Indore offer specialised course in Co-operative Marketing. The duration of the course is 6 months at the Indore Centre and 4 months at the other centres. Similarly, the intermediate training centres at Bhavnagar and Madras have specialised courses of 4 months' duration in Land Mortgage Banking. A special course in Industrial Co-operation, also of four months' duration, was till recently being conducted at different centres, depending on the requirements of a region or zone and the training facilities available. It is understood that steps are now being taken to organize it permanently at one of the training centres.

32. As regards the training course for junior co-operative officers, each of the 66 centres spread over the country has a capacity to train between 40 and 80 trainees. The object of the course in these centres is to provide some basic training to the staff of junior category employed or to be employed in co-operative departments and co-operative institutions. The duration of the course varies from State to State. It is twelve months in Jammu & Kashmir, eleven months in Madras and Andhra Pradesh, nine months in Uttar Pradesh and six months in the remaining States and in the Union Territories of Delhi, Himachal Pradesh and Manipur.

'Co-operation' as a subject in schools and colleges

33. Co-operation has been introduced in most of the States as part of the "Social Studies" group which is one of the "core" subjects for the Higher Secondary examination. The coverage of Co-operation at graduate and post-graduate level in universities has been widened. Andhra and Baroda Universities and some rural Universities are offering post-graduate diploma courses in Co-operation. A programme of starting consumers' stores in schools and colleges has been taken up.

Training of Departmental Personnel in Different States

34. In most States, the senior officers of the Co-operative Department are sent for training to the National Co-operative College and Research Institute at Poona. In Madras, the directly recruited Deputy Registrars (who are senior officers) are imparted training in the co-operative training centre run by the Tamil Nadu Co-operative Union for intermediate officers of the Department and co-operative institutions. The intermediate and the junior level personnel are deputed to the respective training centres,

which in four States have been recently taken over by the State Co-operative Unions in pursuance of the recommendation of the Conference of State Ministers of Co-operation held in October 1961 at New Delhi.

35. Most of the States consider the present arrangements for training to be adequate. Some of these, for instance, Assam and Maharashtra, however, believe that the present arrangements would be inadequate if a "training reserve" is provided in the departmental cadre, which at present does not exist.

36. The information supplied to us reveals that there is a considerable number of officers yet to be trained in several States. For instance, in Assam 8 senior officers, 19 intermediate officers and 136 junior personnel were to be trained. In addition, 113 posts of junior level officers were vacant in view of dearth of candidates. In view of this and the lack of training reserves the training programme was being impeded. In Bihar, the number of untrained personnel at the three levels was 620 and 119 respectively. All the six untrained senior officers were, however, directly recruited Assistant Registrars who were not eligible for training at the Poona centre till they had completed 3 years' service. We suggest that in such cases officers might be sent to the Intermediate course soon after recruitment as is the practice in some States. In respect of junior personnel, it was stated that 96 of them were supervisors who had to be posted to the Package Programme area immediately after their recruitment. We were also informed that as the Department had expanded rather rapidly during the last 2 or 3 years, the training programme could not be arranged in any systematic manner. In Gujarat, 442 officials out of the departmental strength of 1,246 were not trained. It was explained that promotions, resignations etc, had considerably disturbed the training programme. In Jammu and Kashmir, while only one senior officer and 9 intermediate level officers had not received training, there were as many as 100 untrained officials among the junior personnel. In Kerala, the number of untrained staff at the senior and intermediate levels was 40 each and at the junior level it was 45. In Madras, all the directly recruited junior and senior inspectors have undergone co-operative training in the two training institutes in the State while the intermediate and senior personnel of the Department who are directly recruited are trained in the co-operative training centre run by the National Co-operative Union through the Tamil Nadu Co-operative Union. The only persons in the Department who have yet to undergo basic training are those promoted from the ranks of lower division clerks and typists. In Andhra Pradesh also, all the staff promoted from the categories of clerks and typists have not received basic co-operative training. The number of the untrained staff in the Department is said to be not readily available. In Maharashtra, the number at the three levels stood at 61,219 and 455 and in Madhya Pradesh at 44,174 and 138 respectively. In Mysore 113 persons at all levels remained to be trained. In Orissa, 25 officers of the senior grade, most of whom were those in charge of handloom and marketing work in addition to ordinary co-operative duties, had not received training. The number of untrained staff at the intermediate and junior levels was 14 and 146. While there appeared to be no untrained personnel at the junior level in Rajasthan, those at the senior and intermediate levels who had not received any training were 6 and 293. The directly recruited Group I Inspectors and Assistant

Registrars were not trained in Uttar Pradesh. We were informed that these were attached to senior officers to pick up work. In Punjab, West Bengal and the Union Territories of Delhi and Himachal Pradesh almost the entire staff were said to have been trained.

37. Broadly, the reasons for a large number of staff remaining untrained in the various States were the absence of "training reserves" in the departmental cadre strength and the rapid expansion that had taken place in recent years. We observe that only Madras, Orissa, Rajasthan and Himachal Pradesh have made a provision for such training reserves. In Madras, leave and training reserves have been provided at approximately 10 per cent of the total staff. In Orissa, five posts have been provided in the cadre of Assistant Registrars as leave and training reserves and 113 posts in the cadre of Junior Inspectors training reserve. In Rajasthan, there is a training reserve of 70 Inspectors, both executive and audit. Ten per cent of the posts of Auditors and Sub-Inspectors constitute the leave and training reserves in Himachal Pradesh. In Madhya Pradesh, there is only a limited provision of 5 marketing inspectors and 30 Co-operative Extension Officers. Four posts by way of a training reserve have been recently sanctioned in Delhi Territory for the training of intermediate level personnel. In Andhra Pradesh and Maharashtra, it is stated that supernumerary posts are created and filled when members of the staff are deputed for training.

38. We are of the view that any expansion of the department without adequate arrangements for the training of the staff at different levels is not conducive to sound co-operative administration, audit and supervision. We, therefore, consider that as the programme of recruitments and training should go hand in hand, the State Governments should provide for a "training reserve" while making recruitment so that the staff appointed get trained soon after appointment and in any case before they are put on the field. We suggest for this purpose, 5 per cent at each of the lowest levels of Gazetted and non-Gazetted ranks but this may be increased where the number of candidates to be trained is large. Where the capacity of the training centres is not adequate to cope with the number of departmental officers to be trained, the Co-operative Department should move the authorities concerned to raise it.

Need for Refresher Training for Co-operative Officers

39. In several States that we visited we were told that the departmental officers received training only once or rarely, twice during their career and many of them did not have any opportunity to get further training. But in the context of the rapid growth of the movement in different directions, it was necessary that officers of the department at different levels should go through a refresher or re-orientation course once in 5—7 years. We agree with this view, as such training will keep the officers of the department abreast of the latest developments in the movement and the problems, the difficulties which crop up from time to time and of how these are being dealt with. In our view, such refresher courses should also include visits to well-developed institutions in the traditional and new fields of activity and to other States, if feasible. Apart from such refresher courses, it may be useful for the Co-operative Department to convene

seminars at which officers of the department could meet and discuss the common problems that they face in their day-to-day work. We observed that such seminars were being arranged in some States and had served a useful purpose. We commend this practice to other States also.

Training in Respect of Special Fields of Co-operative Activity

40. During our meetings with officials and non-official co-operators, an aspect which was strongly brought to our notice was the need to have specialized training courses for staff put in charge of special fields of co-operative activity viz., industrial co-operatives, co-operative farming, co-operative marketing and processing etc. We have recommended in Chapter V that, save in exceptional circumstances, the control over these societies should be with the Co-operative Department. If the staff put in charge of these activities have to guide the working of these institutions it is necessary that they should be equipped with the basic knowledge of the technical and other aspects of the activity they handle. As indicated earlier, the training facilities which exist at present for specialized courses in the different training centres relate only to marketing, land mortgage banking and industrial co-operation. Very recently, special training was arranged for officers put in charge of the organization of a chain of consumer stores in the country in pursuance of the scheme sponsored by the Government of India. In Madras, Uttar Pradesh, West Bengal and Delhi Territory, there now exist facilities for special training in co-operative farming. In Madhya Pradesh, the staff in the pilot project areas for co-operative farming are proposed to be given special training in the field from the end of 1963. The need for organizing such training courses in specialized activities is obvious, if the necessary competence to handle these has to be built up in the Co-operative Department. In the light of the programmes drawn up for organizing such specialized institutions, the Co-operative Department will have to estimate its requirements in this regard and make suitable arrangements with the National and State Co-operative Unions to provide the necessary training facilities.

Field Training

41. We have discussed above the arrangements for theoretical training that exist in various States for the departmental staff. While this training helps to widen their knowledge of co-operative principles and of the co-operative way of doing business, it cannot be considered as adequate in itself. It has to be supplemented by "field training" before the staff are placed on their jobs. We have observed that in some States it is the common practice to provide such training. For instance, in Punjab the Assistant Registrar who is directly recruited has to undergo a training covering a period of two years including 11 months that he has to spend at an Intermediate Training Centre. In Madhya Pradesh, a directly recruited Assistant Registrar is put through a programme of training covering a period of one year when he is attached to the field staff and given training in all branches of co-operative work. Similarly, in some States the staff at other levels are put through field training of varying periods and intensity. In recent years, however, with the rapid expansion of the department, we observe that there has been general slackening in the matter of providing such field training. As the staff of the Department, before they visit and guide co-operative institutions, have

to be conversant with the problems and difficulties faced by co-operative institutions and of how they can best be met under a certain set of circumstances, we consider that it would be conducive to the efficiency of the staff if they are given practical training before they are called upon to take charge of responsible duties. We suggest that the period of such field training may vary according to the status and work expected of the staff recruited. We recommend that directly recruited Assistant Registrars may be given one year's field training besides going through the Intermediate Officer's Training Course. At the level of intermediate officers, the period may be 6 months besides the above theoretical training course. For Junior officers, the period may be fixed at 3 months besides the basic training course at a Junior School. During the period they undergo training they may be attached to officials in charge of different functions so that they acquire a general idea of the various functions of the Co-operative Department.

Training in Other Departments of Government

42. We are of the opinion that it will considerably improve the efficiency and capacity of co-operative departmental officers if they are enabled to acquire wider and more varied experience than is available to them in their own departments. We understand that it is not ordinarily possible to transfer officers of the Co-operative Department to other departments of the State Government. The possibilities of providing this facility may be explored. We also observe that experienced officers of the Co-operative Department are occasionally taken on a tenure basis by the Ministry of Community Development and Co-operation and other national institutions like the National Co-operative Development Corporation and the Reserve Bank of India. This type of deputation of departmental officers will in our opinion help to widen their experience. A regular programme of inter-State study can also be usefully arranged for the benefit of the officers. This programme, we suggest, may be drawn up by the Ministry of Community Development and Co-operation.

Training in the Secretarial Department

43. From the point of view of equipping officers of the Co-operative Department with secretariat experience which in turn will be useful to the Department in its dealings with the Secretariat, we consider that it would be advantageous to depute one Class I officer at a time to the Secretariat Department for a short period to get trained in the methods, procedures etc., followed by the organization dealing with Co-operation at the secretarial level,

CHAPTER X

FEDERAL AGENCIES—TRANSFER OF DUTIES, FUNCTIONS AND POWERS

Co-operation is essentially a people's movement. The success of the movement should be judged by the extent to which people themselves organize, regulate and control their own institutions. In India, however, the movement came into existence at the beginning of this century mainly through Government initiative. Hence it is still not self-controlled and self-governing in the same sense in which it is autonomous in several parts of the world. In many parts of the country, the movement was largely run under State inspiration. In the very early stages, co-operative societies had to depend to a certain extent on State aid and support. The non-official leadership necessary for running the movement without State support had not developed in many States and was slow in developing in others. It may be noted that until the earlier Co-operative Credit Societies Act of 1904 was replaced by the Co-operative Societies Act of 1912, there was no provision for the registration of a federal society which had other societies as its members. It was only gradually that the need and scope for federal agencies for different purposes came to be appreciated. In the circumstances, a certain degree of Government control over the movement through the agency of the Registrar of Co-operative Societies became inevitable. Since the country gained independence and popular Ministries were installed in the States, there has been a change of approach on the part both of the State Governments and of the people. While, on the one hand, the State has extended its support, financial and other, with the sole object of making the co-operative institutions stronger and more broad-based, on the other hand, the wider membership brought about by the expansion of the movement has provided scope for greater participation by non-officials in the affairs of their institutions. There has, therefore, been constant plea on the part of co-operators in recent years for less and less of Government control over co-operatives. As a step towards this end, it has been urged that sound and efficient federal agencies wherever they exist should be endowed with well-defined statutory powers. In fact, the legislatures of some States have moved forward and have made provision in their Co-operative Law, for the transfer to federal societies of some of the powers vested in the Registrar. This will enable the federal societies to enjoy authority statutorily to regulate the work of co-operatives in certain specified fields.

2. The Co-operative Societies Acts of Gujarat, Jammu & Kashmir, Kerala (the Travancore-Cochin Act), Madras, Madhya Pradesh, Maharashtra, Mysore and Orissa provide that before superseding the managing committee of any society, the Registrar should consult the financing bank. The Maharashtra and Orissa Co-operative Societies Acts require the Registrar to consult the financing banks whenever he has to direct societies to amend their by-laws or to direct the amalgamation or division of societies. In Maharashtra, before making any contribution to any co-operative or to any charitable purpose, a society is required to obtain the prior approval of such federal society as may be notified by the State

Government in this behalf from time to time. In Gujarat, the approval of the Gujarat State Co-operative Union has to be obtained for this purpose by a society operating in more districts than one and of the District Co-operative Bank by any other society. In both these States, there is statutory provision to constitute a federal authority or to accord recognition to one or more federal authorities for the supervision of a society or a class of societies. Besides, the Acts of these two States have a specific provision for the delegation of all or any of the powers of the Registrar under the Act to a federal authority, subject to such conditions as may be imposed by Government. In Gujarat, there is a provision in the Act for the transfer of specified powers to a committee or to a federal society by framing rules therefor. As the rules are still under consideration, no such transfer is stated to have taken place so far. In Maharashtra, the State Government have been moved by the Registrar to delegate specific powers to different federal organisations. Regarding prior consultation with federal agencies on matters specified in the Act, it is understood that the Registrar has taken steps to notify some federal societies for this purpose. In West Bengal, all or any of the powers of the Registrar under the Act, other than those specified in the Second Schedule, may be conferred upon any co-operative society in respect of any other co-operative society which is affiliated to it. The question of delegation of powers to federal agencies under this provision has not, however, yet been considered by the State Government. In Bihar, Section 37 of the Bihar and Orissa Co-operative Societies Act, 1935, confers on a financing bank the right to inspect the books of any registered society which is affiliated to it and to direct the society to furnish such information, statements and returns as may be required. No provision, however, appears to exist in the Co-operative Societies Acts of the other States for the transfer of specified powers to co-operative federal agencies.

3. We sought the views of State Governments and others on the question of transfer of specified powers under the Act to federal agencies. The general view expressed was that the federal agencies in many States had not developed to a stage when they could be expected to exercise statutory authority and that it would hence be premature to transfer to them any powers under the co-operative law.

One State Co-operative Union considered that the time was ripe for the transfer to it of the following powers under the Act : (a) registration of primary societies within the model by-laws approved by the Registrar and (b) enquiry and inspection of primary societies. Another State Co-operative Union considered that the gradual transfer of powers to federal agencies would be a healthy democratic process. It was suggested that the disposal of appeals against the non-admission of members and the power to approve of amendments to the by-laws of primary societies might be delegated to district federal institutions. A non-official co-operator of a State, where the co-operative movement was well developed, was of the view that there is considerable scope for vesting statutory powers in certain federal co-operative agencies. He suggested that the registration and approval of amendments of by-laws of village credit societies could be left to district co-operative unions or to central financing agencies. Similarly, the registration of amendments to by-laws and the liquidation of credit societies could be attended to by central banks.

Another co-operator was of the view that there was no justification for retaining in the hands of the Co-operative Department the planning and implementation of plans so far as credit societies were concerned after six decades of experience in this sphere. He, therefore, suggested that the organisation of these institutions, the coverage of population they should aim at, the finances they should provide, the recovery of loans etc. should be left entirely with federal co-operative agencies without any intervention from the Co-operative Department.

4. There is general recognition of the principle that for co-operation to be a live and vigorous movement of the people the authority for its guidance, supervision and control should be a federal agency, responsible to and representative of the federating units. Towards this end, statutory powers for instance, in respect of registration in accordance with approved patterns, amendment of by-laws, inspection and supervision etc., may, suitably, be transferred to appropriate federal agencies at various levels. But before this transfer of authority takes place, it has to be ensured that these agencies have developed enough strength to enable them to exercise the powers satisfactorily for the benefit of their affiliated co-operative organisations. As we have indicated earlier, in some States the federal organisations, district central banks, State co-operative union, supervising unions, have been made responsible for supervision over societies. In pursuance of the recommendation of the Study Team on Co-operative Training appointed by the Government of India in 1961, the sphere of activities of State Co-operative Unions in regard to co-operative training is getting enlarged. While in some States, the federal institutions appear to have registered marked progress in regard to the discharge of the above functions, in others we find that they have not got into stride for a variety of reasons. We would, therefore, recommend that the State Governments should promote the formation of federal bodies where they are not in existence, review the working of existing federal institutions charged with certain functions (e.g., supervision, training) and consider early the question of transferring to them some of the statutory powers of the Registrar. For enabling State Governments to do so in areas where the conditions are favourable, the Co-operative Societies Act should be amended suitably to provide for the transfer of powers to federal organisations.

CHAPTER XI

DEMOCRATIC DECENTRALIZATION AND CO-OPERATIVE ADMINISTRATION

One of the significant changes that have occurred in the country since the attainment of independence is the inauguration of the "Panchayati Raj" in almost all States. Rajasthan was the first State in the country to introduce "Democratic Decentralization" through the establishment, on October 2, 1959, of Zilla Parishads and Panchayat Samitis. In pursuance of this policy, the administrative personnel in the Community Development Blocks was transferred to Panchayat Samitis. Simultaneously, the budget allotments of the State Government for the Blocks were placed at the disposal of the Samitis. The *Vikas Adhikari* (Block Development Officer) was made responsible to the *Pradhan* (elected chairman) of the Samiti. The Panchayat Samitis replaced the Block Development Committees at the Block Level and began to exercise supervision over the activities of the Panchayats. About a month later, Andhra Pradesh established 235 Panchayat Samitis and 20 Zilla Parishads. Since then, Panchayati Raj has been introduced in eight other States viz., Assam, Gujarat, Madras, Maharashtra, Mysore, Orissa, Punjab and Uttar Pradesh. Legislation has been enacted but has yet to be implemented in Bihar, Madhya Pradesh and West Bengal. The draft legislation in Kerala has been referred to officials and non-officials for comments. Jammu & Kashmir has yet to take steps to enact the necessary legislation.

2. The establishment of Panchayati Raj was in pursuance of the decision of the National Development Council which meeting in January 1958 endorsed the recommendations made by the Balwantrai Mehta Committee on "Democratic Decentralization". It emphasised the following basic principles of Panchayati Raj :

- (a) It should be a three-tier structure of local self-governing bodies from the village to the district, the bodies being organically linked up.
- (b) There should be genuine transfer of power and responsibility to them.
- (c) Adequate resources should be transferred to the new bodies to enable them to discharge these responsibilities.
- (d) All developmental programmes at these levels should be channelled through these bodies.
- (e) The system evolved should be such as will facilitate further devolution and dispersal of power and responsibilities in the future.

Each State was allowed to evolve its own pattern of Panchayati Raj suitable to local conditions.

Functions of Panchayati Raj Organizations

3. The legislation enacted in the various States defines the powers

and functions of the Panchayati Raj institutions. The responsibility for all developmental activities at the village level has been given to the Panchayats. Development programmes of all departments of Government which had hitherto been attended to by the Community Development Blocks, have been made the responsibility of the Panchayat Samitis. The Zilla Parishad is generally a co-ordinating, planning and supervisory body. There have, however, been variations both in the content and scope of the functions of the various bodies in the different States. The Panchayat Samiti is the agency that has been principally entrusted with planning for development and the execution of the different development programmes which include the promotion of agriculture, animal husbandry, co-operation, cottage industries, education, irrigation, etc. For the implementation of the programmes in so far as they relate to co-operation, the services of the staff of the Co-operative Department have been made available to these bodies. There is no uniformity in the pattern of the staff with the Panchayati Raj organization which deals with Co-operation. While in most States, an Extension Officer of the rank of a Co-operative Inspector has been deputed to each Panchayat Samiti, in Andhra Pradesh a Co-operative Sub-Registrar who is deputed to function as the Co-operative Extension Officer, has been given the assistance of a Senior or a Junior Inspector depending upon the number of societies and the nature of work in the Block. In Maharashtra, the staffing pattern in the Panchayat Samiti is as follows :

- | | |
|--|--|
| (a) Panchayat Samiti with population up to 60,000 | (i) 1 Jr. Extension Officer of the rank of Assistant Co-operative Officer and
(ii) 1 Assistant Extension Officer |
| (b) Panchayat Samiti with population between 61,000 and 1,20,000 | (i) 1 Extension Officer of the rank of Co-operative Officer
(ii) 1 Jr. Extension Officer and
(iii) 1 Assistant Extension Officer |
| (c) Panchayat Samiti with population above 1,20,000 | (i) 1 Extension Officer and
(ii) 2 Jr. Extension Officers |

The posts of Extension Officer in the Panchayat Samitis have been filled both by transfer of staff from the Co-operative Department and by promoting Gram Sevaks. Besides the staff deputed to the Panchayat Samitis, the Co-operative Department has also deputed an Assistant Registrar, an Assistant Co-operative Officer and some ministerial staff (1 Head Clerk, 1 Senior Clerk and 3 Junior Clerks) to each of the Zilla Parishads. While in most States, the tenure of deputation of Co-operative Departmental staff was not finally fixed, in Maharashtra the intention appeared to be to make only the services of the Assistant Registrars deputed to the Zilla Parishads re-transferable to the Co-operative Department.

Control Over Extension Staff

4. We were informed that in most States the staff deputed to the

Panchayati Raj organizations were placed under the administrative control of the Block Development Officer but under the technical control of the district officer of the Co-operative Department. The arrangements that obtained formerly in the Community Development Block areas, it was stated, were continued. The question which engaged our attention was whether and to what extent the control over co-operative staff in Community Development Blocks had undergone changes with the transfer of authority to Panchayati Raj organizations.

Delegation of Statutory Powers

5. This, in turn, raises the question whether any of the statutory functions of the Registrar have been transferred to the Panchayati Raj organizations. Except in Gujarat, Maharashtra and Madras, this has not happened. In Gujarat, Section 156 of the Gujarat Panchayats Act 1961 provides as under :

Delegation of Powers of Registrar of Co-operative Societies to Panchayats

156. (1) Notwithstanding anything contained in the Bombay Co-operative Societies Act, 1925 or any other corresponding enactment for the time being in force in the State of Gujarat, the State Government, having regard to the Panchayat Functions List, may subject to such conditions as it may think fit to impose, by an order published in the Official Gazette, delegate to a district panchayat and the taluka panchayats subordinate to it, such powers, functions and duties of the Registrar or any other authority under the said Act or enactment as may be specified in the order.

(2) In particular, such order may provide for the delegation of powers relating to—

- (a) the registration of co-operative societies ;
- (b) the approval of amendment to the by-laws of co-operative societies ;
- (c) appeals arising out of non-admission of members in a co-operative society ;
- (d) maintenance of register of co-operative societies ;
- (e) change in the name or classification of a co-operative society ;
- (f) permission to co-operative societies to enter into partnership ;
- (g) the calling of, or extending the period for the calling of, annual general meeting of co-operative societies ;
- (h) the calling of a special general meeting of a co-operative society ;
- (i) the disposal of surplus assets of co-operative societies in the event of their winding up ;
- (j) direction for giving possession of books and papers of the co-operative societies to the successor chairman thereof.

In pursuance of the provision, the powers listed above have been transferred to the district panchayats in so far as they relate to the societies having jurisdiction over less than a district and having an authorised share capital of less than Rs. 5 lakhs. It has been laid down that the societies to be registered by the District Panchayat should conform to the model by-laws prescribed by the Co-operative Department. The District Registrar* for the exercise of the above powers functions under the administrative control of the District Panchayat, besides attending to his other duties in the Co-operative Department. We observe that there is a certain amount of dual control over the district officers, but as this arrangement has recently come into force it may be too early to judge the effect of its working.

6. In Maharashtra, the Assistant Registrar deputed to the Zilla Parishad and functioning therefore under its administrative control exercises statutory powers in regard to registration, amendment of by-laws and disposal of appeals arising out of non-admission of members to societies. The provision under the law in regard to the duties of the Zilla Parishad is as under :

****75.** Administrative supervision over co-operative societies (being societies having jurisdiction over less than a District and, having authorised share capital not exceeding one lakh of rupees hereinafter in this entry referred to as 'the said societies') only to the extent of examination of the general working of the said societies, their management and financial position with a view to improving the business standards and financial position and extending the activities of the co-operative movement in relation to such societies, and in particular, the work of expediting—

- (a) the registration of the said societies ;
- (b) the approval to by-laws of the said societies ; and
- (c) the disposal of appeals arising out of non-admission of members to the said societies.

In terms of the explanation to the above provision in the Act, the Assistant Registrar posted to or working under the Zilla Parishad is required to exercise his functions under the Act in accordance with the model by-laws and instructions issued by the Registrar and to work under the general guidance, superintendence and control of the Registrar. Only in respect of administrative matters he is under the general supervision of the Zilla Parishad. We were informed that very recently the extension staff in Madras had been given the power to register amendments to by-laws, though the need for delegating only this power was not quite clear. One of the Registrars with whom we discussed the question was of the view that as the powers delegated to the Zilla Parishad in the State had to be exercised in accordance with the model by-laws and under the general guidance and control of the district officer, the arrangement might not be unsatisfactory.

7. The question of delegation of statutory powers to the panchayati

*The officer of the Co-operative Department functioning at the district level.

**First Schedule to the Maharashtra Zilla Parishad and Panchayat Samitis Act, 1961 (as amended in 1962).

raj institutions was examined by the Working Group on Panchayats and Co-operatives which expressed the following views on the subject :

The question of delegation of powers has two clearly different aspects which are sometimes confused. The Registrars to-day have certain statutory and non-statutory powers with regard to co-operatives. It has been accepted as a policy that the powers of the Registrar should, in future, be confined strictly to those provided in the statute. Further it has also been suggested from time to time that some of these statutory powers should progressively devolve on co-operative institutions and their higher federal organisations. The object here is to make the co-operative movement self-regulatory and to substitute an external discipline by an internal self-discipline. As this Group is concerned only with the question of the powers that panchayati raj institutions should exercise with regard to co-operatives it is not really concerned with the stages by which the powers of the Registrar can be delegated to co-operatives and their federations. As panchayati raj institutions are expected to function as governments in their respective levels it has to be made clear that delegation of powers to these institutions will not have the effect of making the co-operative movement self-regulatory. The authority of the zilla parishad or the block panchayat samiti over the co-operative movement will be an external authority in the same sense as the authority of the Registrar is as at present. The extent of powers that the zilla parishad and the block panchayat samiti can be given over the co-operatives will have to be decided in this context.

The second aspect of the problem is with regard to handing over some of the powers which the Registrar exercises, at present, to the panchayati raj institutions. It may be plausibly argued that as the co-operative movement is at present submitting itself to this external discipline by the Registrar they would have no legitimate grievance if this discipline is transferred from the Registrar to the local self-governing institutions at the appropriate level. There are, however, two serious objections to this point of view. In the first place the co-operative movement is becoming self-reliant in a few states and is gradually shaking off official tutelage. If this process is frozen at the present stage of development and the local bodies as successors-in-interest to government assume powers corresponding to the Registrar, the co-operatives have no prospects of becoming self-regulatory in the near future. Secondly Registrar as a Government officer is expected to be above political influences and is likely to take an objective view of things. It might not be reasonable to expect the same degree of objectivity from local bodies which will obviously be subjected to political influences. Moreover some of the powers of the Registrar are quasi-judicial in nature and such powers cannot be transferred to elective bodies.

Taking all these points into consideration we do not consider it advisable to effect transfer of any of the powers of the Registrar to the zilla parishad and/or the panchayat samiti. Functions like registration, supersession of managing committees, approval and amendment of bye laws, levying surcharge on members, arbitration and liquidation are

clearly quasi-judicial powers and should continue to remain with the Registrar. Audit is also a statutory duty of the Registrar which he performs through specially qualified staff and which cannot be transferred to elective bodies. (Chapter VI, paras 9 to 11)

* * *

The law or the rules should provide that an application for membership must be considered within 15 days of receipt and a clear reply given within that period. If it is decided not to admit a person as a member reasons for the decision must be recorded and supplied to the applicant within the period of 15 days. If no decision is communicated within this period, it must be construed as a refusal and a right of appeal should lie with the applicant within a stated period. Once the appeal is filed the co-operative officer responsible should dispose of the appeal within a period of one month.....We do not think that the process will be simplified or rendered more effective if the powers in this respect of hearing appeals were to be given to the panchayati raj institutions sitting in their corporate capacity.

(Chapter VI, Paras 14 & 15)

8. It is too early to judge the effect of the delegation of statutory powers to elected bodies like the zilla parishad. It is necessary, however, to ensure that extraneous forces, political or otherwise, are not allowed to influence the working of co-operatives which are essentially business organizations. Care should be taken to see that their efficiency and soundness are not impaired and that their autonomy is safeguarded. Moreover, any transfer of powers to panchayati raj institutions will dilute the responsibility of the Co-operative Department and will impede progress towards the transfer of authority to federal agencies which will make the movement self-disciplined and self-regulatory. In the light of these considerations, we agree with the opinion of the Working Group on Panchayats and Co-operatives that it is not advisable to effect the transfer of any of the statutory powers of the Registrar to panchayati raj institutions. In this, we are fortified by the views on the subject expressed in the Third Five Year Plan which we reproduce hereunder :

In planning and carrying out intensive development in rural areas, Panchayati Raj institutions and co-operative organisations have a complementary role and must cooperate closely at every step. Zilla Parishads, Panchayat Samitis and Village Panchayats should promote the development of co-operatives and should endeavour to create a climate of community effort and social responsibility such as are vital for the successful functioning of co-operatives at all levels. Regulatory powers in relation to co-operative organisations may continue to remain with the Government, but some of them can be delegated progressively to federal co-operative organisations. These will help to build up the self-regulatory character of the movement and to promote local leadership. (Chapter XIII, para 36)

Promotional Activities

9. In all the States except the three mentioned earlier we were informed that the Panchayati Raj organizations were entrusted only with

promotional activities (viz., organization and general supervision over societies) and were not vested with any statutory powers. The Co-operative Departments have however been making use of the services of the extension staff in the Panchayat Samitis for enquiry, inspection, arbitration, execution, liquidation work and this, it is claimed, has added to the stature of the extension officer in the area for discharging his developmental functions.

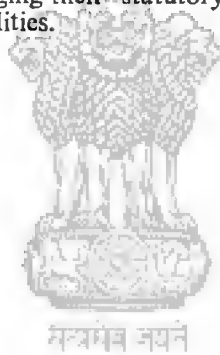
10. The scope of development activities to be undertaken by the Panchayat Samitis has, however, given rise to some confusion in many places. We were informed that it was the view of some Panchayat Samitis that developmental work should not include recovery of the dues of societies and that development would suffer if the extension staff were entrusted with the task of assisting in recovery work. This had led to a serious and a difficult situation in areas where the responsibility for supervision remained with the Co-operative Department and the Department had no separate staff for supervision. Overdues in some areas had risen as the work of recovery of loans seemed to have been neglected. Instances of lack of co-ordination between the District officer of the Co-operative Department and the Block Development Officer who had administrative control over the Co-operative Extension Officer were also reported. While, theoretically, the Co-operative Department had technical control over the co-operative extension staff, in practice it was not able to exercise any control. It was reported that in some areas, the services of the Co-operative Extension Officer were utilized for various other purposes. It was added that instances of the extension staff being not available at the time of inspection by the district officer of the Co-operative Department of societies in the block area were not uncommon.

11. It was the view taken in some States that the Co-operative Department had lost control over its staff at the village or block level under the new arrangement. As the Department did not maintain any separate staff for general supervision over co-operatives functioning at lower levels, it was in danger of losing touch with their work. It would, therefore, be necessary to define properly the role of the Panchayati Raj organizations in so far as they related to co-operation. We consider that these organizations should interest themselves in such items as promotion, development and planning. According to us they should interest themselves in drawing up proposals for the registration of new societies, the expansion of membership in existing societies, the revitalization of weak institutions, the preparation of production plans, the planning of the general programmes for the supply of credit, seeds, fertilizers and other requisites. The Co-operative Extension staff should be utilized to attend to these items. Where supervision over primary societies is the responsibility of the Co-operative Department, the Co-operative Extension Officer should be available for the purpose. We see no reason why the work of assisting in the recovery of loans should be considered as coming in the way of developmental activities. If co-operatives are to develop as sound business institutions, it stands to reason that efforts should be made to inculcate in the members the habit of meeting their obligations punctually. As regards control over the staff deputed to Zilla Parishads and/or Panchayat Samitis, there should be a clear understanding between the district officer of the Co-operative Department and the Chief Executive Officer of the Panchayat Samiti. While the latter may continue to have

administrative control over the extension staff in keeping with the general pattern of administration under the decentralized set-up, it should be made obligatory on him to carry out with the help of the extension staff the instructions of the officer of the Co-operative Department at the district level.

Transfer of Co-operative Departmental Staff from and to Panchayat Samitis

12. We have attached considerable importance to the interchangeability of non-gazetted staff of the Co-operative Department between the general and the audit sides. We have recommended that no member of the staff should be entrusted with audit work unless he has had at least two years' experience on the general side. As a good part of the non-gazetted field staff of the Co-operative Department will, under the decentralized set-up, be with Panchayat Samitis, we consider that the Co-operative Department should have full powers of transferring the staff allotted to the panchayati raj organizations in order that our recommendations can be implemented. Such transfers will also make it possible to man the posts of co-operative extension officers with Panchayat Samitis with persons who have had some audit experience, which should stand them in good stead in discharging their statutory as well as promotional and developmental responsibilities.



CHAPTER XII

CONCLUSION

In the foregoing chapters we have dealt with several aspects of the co-operative administrative system in the country and have made a number of recommendations calculated to strengthen the system. The Five Year Plans have laid considerable emphasis on Co-operation being made an instrument of State policy both for promoting the economic welfare of the under privileged sections of the community and for bringing about a change in the social structure. The co-operative movement which, until a few years ago, was mainly concerned with credit has become diversified and has extended to other fields of economic activity. The responsibilities of the administration have thus become increasingly complex and difficult. It is in this context that we would like our recommendations for strengthening the staff of the Co-operative Departments to be considered and steps taken to implement them.

2. It is of the utmost importance to ensure that the duties devolving on the Registrar under the Statute are discharged promptly and efficiently. For carrying out the approved plan programmes, the Co-operative Department has to undertake a considerable amount of organizational and promotional work. While this should have, undoubtedly, a principal claim on the Department's attention, it must be ensured that the statutory duties like audit, inspection, arbitration and liquidation, rectification of defects and prompt action to remove irregularities do not get neglected. The efficiency of the Department should be judged with reference not only to the developmental activities undertaken by it but, primarily, with regard to the discharge of its statutory functions as well.

3. Another aspect which we wish to emphasize is that our recommendations in regard to the staff to be maintained at different levels represent the minimum strength that the Department should have if it has to fulfil the role assigned to it in the planned development of the country. The actual strength of the staff in a State will, however, be determined by the numerical size, the volume of operations, the types of activities covered and other local conditions such as means of communication etc. We would like to add that it will be not merely an increase in the size of the departmental staff that will strengthen co-operative administration. As we have drawn attention at more places than one, it is the quality of the staff that counts. In improving the quality of the staff, in our opinion, no factor plays so prominent a part as training in and for Co-operation.

4. At the same time, we wish to emphasize that any increase in the size of the Co-operative Department should not lead to any interference in the day-to-day working of co-operative institutions such as would adversely affect their freedom and autonomy. On the other hand, all the time, effort should be in the direction of making the movement, a movement of the people. We note that during the past few years steps have been taken to replace officials by elected non-officials in positions of responsibility on the boards of co-operative institutions. The National

and State co-operative unions have a special responsibility to train up a large body of non-official workers in the management of their institutions so that ultimately they assume greater responsibility in the working of what should essentially be a people's movement.

5. The efficiency of co-operative administration ultimately depends on the sound management of co-operative institutions of all types and at all levels. It is only when those in charge of the working of these societies get imbued with the right spirit of leadership and obtain the necessary guidance and help from the State, that the institutions can achieve progress. It is our firm conviction, therefore, that the administration of the Co-operative Department becomes less difficult and can be carried on successfully even with a limited staff where there is a large body of non-official workers, who take interest in and give their attention to the building up of the movement. The prime need of the hour is to encourage this leadership to assume responsibilities, the satisfactory discharge of which alone can make the co-operative movement live and healthy.

VAIKUNTH L. MEHTA

Chairman

R. DASARATHARAMA REDDY

G. D. GOSWAMI

P. D. KASBEKAR

M. L. BATRA

G. V. RAMAMURTHY

Secretary

Bombay
October 30, 1963



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SUMMARY OF RECOMMENDATIONS

THE REGISTRAR

(Chapter III)

1. It is the duty of the Co-operative Department to satisfy itself before a co-operative society is registered that it has reasonable prospects of success in co-operative functioning and in its business aspirations. The Department has also to help in designing a frame-work in which the institution can function satisfactorily without detriment to its co-operative character and the structural requirements of its business. Once the preparatory arrangements are made and the co-operative enterprise is launched, the Department has to watch not only that the society and its members discharge the co-operative responsibilities enjoined on them by the by-laws accepted by them at the time of starting the enterprise, but also that the society receives all the assistance it is entitled to under the plan in matters like financing, credit, raw materials, technical know-how, marketing, etc. (Para No. 4)

2. In the context of the responsibilities devolving on the Co-operative Department specially under the Five Year Plans, the balance of advantage would seem to lie in keeping the post of the Registrar on the I.A.S. cadre. (Para No. 10)

3. Before an I.A.S. officer is selected for the Registrar's post it is necessary to see whether he is temperamentally in tune with the aims and objects of the movement. The aptitude for understanding the salient features of different types of business activity and for being effective in building up relations with non-officials is also an essential qualification that should be possessed by him. (Para No. 12)

4. There is no better way of testing the suitability of I.A.S. officers than by having a number of them taken through the mill of the Co-operative Department in the same way as they are taken through postings in districts and in the secretariat. (Para No. 13)

5. Equipping a number of I.A.S. officers with co-operative experience will take time even if the State Governments begin implementing the above recommendation without any delay. Meanwhile, some *ad hoc* arrangements will be necessary. Well before the present incumbent of the post of Registrar is due to be transferred to some other posts, arrangements should be made to appoint another I.A.S. officer of the requisite seniority as Additional Registrar or Joint Registrar. Such an officer should get training for a period of at least 1½ to 2 years before he steps into the post of the Registrar. (Para No. 14)

6. In some states, I.A.S. officers who are posted to the Co-operative Department as Additional or Joint Registrars do not get special pay which they would have got if they joined some other departments or one of the secretariat departments. Such disincentives, wherever they exist, should be removed. (Para No. 14)

7. If in any State, the present incumbent to the post of the Registrar is due to complete his tenure shortly and it is found that there is no I.A.S. officer available who has had prior training in the Co-operative Department, the State Government should make a selection from among senior officers of the Co-operative Department. If an officer with the requisite experience and competence is not available, the alternative course will be to extend the term of the present incumbent until a suitable I.A.S. officer is available. (Para No. 14)

8. While departmental officers should be eligible for being posted as Registrars, it may be an advantage if they are recommended for being appointed to the I.A.S. Their inclusion in the I.A.S. will not only confer on them the status required to carry out effectively such functions as involve contact with other departments of Government, but also enable them, after their promotion to the I.A.S., to get experience outside the Co-operative Department and thus widen their outlook before they get appointed as Registrars. (Para No. 15)

9. The Co-operative Department's share in the promotion quota in the I.A.S. cadre should be at least proportionate to its relative strength in Class I officers and above (permanent as well as temporary) as compared to the total of such posts in all the States services which are at present considered at the time of filling the promotion quota in the I.A.S. (Para No. 15)

10. For the discharge of the very exacting and onerous duties to be performed by the Registrar, the officer appointed to the position should be one who has at least twelve years' standing in the I.A.S., including about two years in the Co-operative Department. (This would not apply to co-operative departmental officers who are absorbed in the I.A.S.) (Para No. 16)

11. If the post of the Registrar is to attract the right type of officer and if the Registrar is to be effective in his dealings with other development departments, his status should, in no case, be lower than that of any of the heads of other development departments. In most States, the heads of major development departments are likely to rank equal to or nearly equal to Secretaries to Government. Where such is the case, it is recommended (i) that in the States where the posts of Secretaries to Government are not super time scale posts, the status of the Registrar should be equated to that of a Secretary to Government and (ii) that he should not rank lower than any other head of a development department. (Para No. 18)

12. In States where the co-operative movement has attained wide ramifications covering many aspects of economic activity, it would be an advantage if the post of the Registrar is elevated to the status of a Commissioner. (Para No. 18)

13. In order to ensure continuity in the functioning of the Co-operative Department, the status of the post of Registrar should be so fixed that the likelihood of frequent upward transfers is obviated to a large extent. Even where such transfers would be otherwise unavoidable, these

could be avoided by resorting to the expedient of the temporary upgrading of the Registrar's post. (Para No. 24)

14. An officer once appointed as Registrar and found suitable should remain in the post for not less than 3 years and, preferably, for a period of 4 to 5 years. This period will be exclusive of the qualifying period of training or understudy. (Para No. 24)

STRUCTURE OF CO-OPERATIVE DEPARTMENT

(Chapter IV)

15. The functional advisers of the Registrar at headquarters should be officers of the status of Joint Registrars. (Para No. 2)

16. Irrespective of the size of a State, there should be a Joint Registrar each for (i) audit, (ii) banking and credit, (iii) co-operative marketing and processing of agricultural produce, and (iv) industrial co-operatives. For the somewhat difficult programmes like (v) co-operative farming and (vi) consumers' co-operative stores, there may have to be one Joint Registrar each as recommended by the Ministry of Community Development and Co-operation. In States where the sector of co-operative processing has developed or is likely to develop to a significant extent, it may be necessary to have a separate post of Joint Registrar to deal with that subject. (Para No. 3)

17. So far as technical expertise is concerned, it would be impractical to provide for it wholly within the Co-operative Department. The services of persons required therefor should be obtained on loan from the departments concerned. They should function purely as technical consultants within their limited fields, assisting the functional advisers concerned and the field staff wherever necessary. (Para No. 4)

18. In States where divisional offices of the Revenue Department have been established, divisional offices of the Co-operative Department should also be created with identical jurisdiction. In other States, such offices may be considered only if: (i) other development departments have found it necessary to have a divisional set-up, and (ii) the establishment of divisional offices in the Co-operative Department would to a significant extent (a) facilitate the work of administrative supervision over district offices and (b) provide to the public in the districts a more accessible recourse for dealing with co-operative matters than the headquarters of the Registrar. In such States, the jurisdiction of the divisional offices may be so demarcated that each divisional office has a charge of about 5,000 societies. (Para No. 6)

19. The following functions can conveniently be delegated to divisional offices: (Para No. 8)

Administrative

- (i) Supervision and control over district offices: inspection of the offices at least once a year.
- (ii) Approval of tour programmes and scrutiny of tour diaries of district officers.

- (iii) Inspection of a few primary, district and regional societies at frequent intervals to gain first hand knowledge of the working of societies and generally to guide the work of district and lower officers.
- (iv) Annual inspection of societies in the division having jurisdiction exceeding one district.
- (v) Appointment and transfer of prescribed categories of non-gazetted staff.
- (vi) Grant of casual leave to district officers.

Financial

- (i) Exercise of financial control over the expenditure in the district offices in the division.
- (ii) Sanction up to prescribed limits of ordinary non-recurring contingent expenditure.

Statutory

- (i) Exercise of all powers of the Registrar under the Co-operative Societies Act except those reserved for being exercised by only the Registrar.
- (ii) Hearing of appeals against the decisions of district or lower officers.

20. In certain circumstances and within certain limits it may be possible to delegate to the divisional officers some of the powers of the Registrar pertaining to sanctioning of financial assistance to co-operatives under various plan schemes. (Para No. 9)

21. The status of the officer posted in the divisional office will have to be higher than that of the highest officers of the Co-operative Department in the districts. Whether this should be equal to that of the functional specialists at the headquarters or should constitute a somewhat lower level in the administrative hierarchy in between the highest level of district officers and the level of the Joint Registrar, is a matter which may be examined by each State with reference to its conditions. (Para No. 10)

22. For the discharge of the functions which have been suggested, the divisional officer should be given the assistance of a gazetted officer with the necessary ministerial staff. (Para No. 11)

23. It would be an advantage to have an officer who could represent the Co-operative Department so far as the district as a whole is concerned in its dealings with other departments of Government at the district level as also with federal and district level co-operative institutions. This officer should be also in charge of one of the circles in the district in addition to keeping himself in touch with the work of the other circle officer or officers. It may be desirable to make the post of this co-ordinating officer a Class I Post as against the Class II status of the circle officer. (Para No. 13)

24. In districts comprising more than one circle and where there is a sufficiently large number of particular type of co-operative societies e.g. industrial co-operatives, it may be possible to entrust the latter on a functional basis to one of the circle officers under the co-ordinating officer. (Para No. 14)

25. The officer in charge of a circle should be given the assistance of at least two Inspectors of the senior category. (Para No. 15)

26. The recommendations relating to the structure of the Co-operative Department will entail the creation of a Co-operative Service in the gazetted rank with four levels viz. Assistant Registrar—Class II ; District Registrar—Class I ; Deputy Registrar—Class I, Higher Grade ; and Joint Registrar—Class I, Selection Grade or Super time scale. (Para No. 16)

27. Below the circle officer, there should be two tiers of field staff designated as Inspectors Grade I and Inspectors Grade II. Where supervision over primary societies is with the Department, the 'Supervisor' would constitute the third level in the non-gazetted service, being slightly lower in status and emoluments than the Inspector Grade II. (Para No. 17)

28. In assessing the requirements for sale officers, the needs of each area with reference to the quantum of work involved will have to be worked out and necessary staff provided. It would be an advantage to borrow for this purpose staff from the Revenue Department. (Para No. 20)

29. For speedy disposal of liquidation work, the Department should maintain separate staff for the purpose at the rate of one Inspector Grade I for 20 societies under liquidation or for every Rs. 5 lakhs of liabilities to be discharged by societies under liquidation. (Para No. 21)

30. The delegation of statutory powers to officers at different levels should be on a rational basis, the importance and extent of powers delegated to officers at lower levels being in conformity with the responsibilities which they carry in the departmental administration. The following powers should necessarily be retained by the Registrar himself : (a) the power to direct amendments to by-laws by general or special order ; (b) to supersede committees of societies ; (c) to sanction the institution of any prosecutions under the Act ; (d) to levy surcharge ; and (e) to order liquidation of district level and higher institutions. (Para No. 22)

31. In States where there is no provision in the Co-operative Societies Act for the Registrar to undertake inspection of a co-operative society on his own motion, action may be initiated to get the Act suitably amended. (Para No. 23)

DIVISION OF DEPARTMENTAL MACHINERY

(Chapter V)

32. At the stage of formulation of a scheme of co-operative endeavour in whatever may be the field of activity, proposals can better be dealt

with in the headquarters of the Co-operative Department in active collaboration with the top level consultants of the technical department concerned. These would include the framing of the by-laws, the fixation of the optimum scale of operations, and the working out of the pattern of financial assistance from Government and the financing institutions.

(Para No. 8)

33. After co-operatives have been established in any line, the continual attention they need has to be provided both by the Co-operative Department and the technical department concerned. Theoretically, it matters little which department is held to be in charge provided both render their allotted services. The Co-operative Department provides certain essential services which are common to all types of societies. The services to be rendered by the technical departments are not in their regular line and have to be organized for the sake of the co-operatives through staff appointed specially for the purpose. On balance, therefore, it would ordinarily be an advantage to keep the administrative charge of co-operative enterprises of all kinds with the Co-operative Department, with responsibility enjoined on the special wings of the technical departments to provide the co-operatives with such of the services as they are best fitted to render.

(Para No. 10)

34. Division of administrative machinery for control over the working of special groups of societies should be exceptional. It is only in the following circumstances that such division may be considered : (i) the special group of societies constitutes an important sector of the movement in a State and the Co-operative Department would find it difficult to supervise and develop it effectively ; (ii) the working of these societies involves techniques and skills, guidance and direction in respect of which cannot be provided satisfactorily by the Co-operative Department without building up a staff of specialists ; (iii) the societies require some special kind of assistance which the Co-operative Department may not find it easy to render ; and (iv) there are satisfactory arrangements for the provision of credit for these societies under the Plan schemes or from other sources.

(Para No. 11)

35. When any Department other than the Co-operative Department is placed in charge of any specific group of societies, it should arrange to borrow officers from the Co-operative Department to supervise the societies in the field and to advise the technical officers at the headquarters about the co-operative aspects of their working.

(Para No. 12)

36. Where it is decided to take out of the purview of the Co-operative Department, for purposes of administrative control, a specific group of societies, there should be no bifurcation of the audit machinery and audit should continue to remain unified for all types of societies under the overall control of the Registrar.

(Para No. 13)

37. When a certain group of societies has been transferred from the Co-operative Department to another department and the latter decides to give training in Co-operation to its officials, it need not organize separate arrangements for that purpose but should make use of the existing co-operative training institutions.

(Para No. 14)

38. Societies which are under the administrative control of functional departments should not be treated as having been cut off from assistance from co-operative banks. It should become the duty of the Co-operative Department to act in co-ordination with the functional departments and to make sure that no discrimination is shown by co-operative banks. (Para No. 15)

39. Where co-operative societies in a State are in charge of more than one department, the Registrar should be consulted in matters of overall co-operative policy. When proposals for extension of the scope of work or for new developments or for changes in structure are to be considered, there should be, invariably, preliminary consultation with the Registrar. He should also be consulted about proposals connected with prosecutions under the co-operative Law, with the registration of societies that have adopted by-laws different from model by-laws, with important amendments of by-laws, with interpretation of by-laws and similar matters. It may also be provided that in case of difference of opinion between the Registrar and the head of the functional department on any point, the matter may be referred to Government for final decision. (Para No. 16)

40. For better co-ordination, the system obtaining in some States of having committees at different levels of representatives of development department is favoured. In this connexion, the recommendation of the Second Working Group for the constitution of a committee at the secretarial level is endorsed. (Para No. 17)

AUDIT (Chapter VI)

41. The objectivity of co-operative audit can be ensured by having within the Co-operative Department a separate wing exclusively for the purpose of audit, under a Chief Auditor, who would be of the rank of Joint Registrar. The feeling of independence is ensured by avoiding a mixing up of functions and by providing a separate line of command for audit below the Registrar. The advantage of this arrangement is that while it can ensure independence of audit, it also makes it possible for the audit staff to consist of persons with the right background. (Para No. 8)

42. In order to ensure that the staff entrusted with audit have a Co-operative background, the audit wing of the Co-operative Department should be manned by personnel who have had opportunities of working on the general side of the Department and thus of developing within themselves the appropriate outlook in relation to the working of co-operatives. (Para No. 8)

43. The retention of audit with the Registrar has the advantage that on the basis of audit carried out by persons who have not only the professional competence but also the requisite orientation, he can keep himself in close touch with the movement. This aspect would assume more and more importance as supervision over societies gradually gets transferred to federal organizations. (Para No. 8)

44. In Uttar Pradesh, the only State where the control of audit is not with the Registrar, the position may be re-examined early. (Para No. 9)

45. Within the Co-operative Department there should be a separate audit wing whose duties pertain exclusively to audit and whose personnel do not have to take orders from the general side. This can be achieved by keeping the audit organization under a Chief Auditor of the rank and status of a Joint Registrar, who will be subordinate only to the Registrar. This officer should be assisted by adequate staff at the district and lower levels. (Para No. 11)

46. So far as the non-gazetted staff of the Department is concerned, there should be interchangeability of staff between the general and the audit sides. As regards the gazetted staff, it would perhaps be an advantage to maintain two distinct cadres, with the proviso, however, that every officer in the audit cadre should be made to work in the gazetted posts of the general side for a period of at least three years, and *vice versa*. (Para No. 13)

47. The minimum scale that should be adopted for appointment of staff for audit of primary societies should be as under : (Para No. 19)

Type of societies	No. of societies per auditor	Category of staff to be entrusted with audit
Credit Societies		
<i>(a) Agricultural</i>		
(i) Primary credit societies (small-sized)	40	Junior Auditor
(ii) Large-sized credit societies and credit unions	15	Senior Auditor
(iii) Primary land mortgage banks	25	Senior Auditor
<i>(b) Non-Agricultural</i>		
(i) Employees credit societies and urban banks	25	Senior Auditor
(ii) Other types e.g. artisans, fishermen, etc.	40	Junior Auditor
Non-credit Societies		
(i) Primary consumers' stores	15	Senior Auditor
(ii) Primary marketing societies	} 15	Senior Auditor
(iii) Primary weavers' societies		Junior Auditor*
(iv) Milk supply societies		

(v) Fishermen's societies	} 20	Senior Auditor
(vi) Farming societies		
(vii) Housing societies		
(viii) Industrial societies other than weavers		
(ix) Miscellaneous societies		
Societies under liquidation	40	Junior Auditor

*The work should be allotted depending upon the nature of transactions of the society where the transactions are not considerable a Junior Auditor may be entrusted with the work.

The categories of Junior and Senior Auditors mentioned above should correspond to the Grade I and Grade II Inspectors.

48. In allotting societies to each auditor, care will have to be taken to see that he has to traverse as compact an area as possible. As this would involve the audit of more than one type of society, the actual number of societies that will have to be entrusted to an auditor will have to be worked out by giving appropriate weightage to the different types of societies to be audited in accordance with their relative workloads as emerging from the norms indicated earlier. There is no objection to the deploying of auditors in a district in such a way that certain auditors are entrusted with one type of societies, provided this is feasible without unduly transgressing the principle that the geographical area to be covered by an auditor is kept to the minimum possible. (Para No. 20)

49. The Co-operative Department may undertake from time to time test audit of some of the institutions that are audited by chartered accountants where such a practice has been introduced, so as to satisfy itself that the audit has been properly done. (Para No. 21)

50. The audit of a society should be entrusted to only those auditors who have had at least two years initial experience on the general side i.e., in the matter of organization, supervision and inspection of societies. (Para No. 22)

51. In respect of societies having departmental officers as their chief executive officers, care should be taken to see that audit of such societies is not entrusted to auditors of a rank lower than that of the deputed departmental officer. Alternatively, audit of such societies should be entrusted to qualified chartered accountants. (Para No. 23)

52. Ordinarily, no society should be made to pay a fee for departmental audit during the first few years of its existence. This period should be fixed according to types of societies having regard to the circumstances in each State. In regard to societies which cater to classes which are economically backward, fees should not be charged if the societies are in loss. Subject to the above, the scale of fees should be so fixed that generally a society does not have to pay as audit fee an amount exceeding the actual cost incurred by the Department or what a professional auditor would have charged, whichever amount is lower. (Para No. 24)

53. The Chief Auditor of the Department should preferably be drawn from within the Department. If for special reasons, an officer has to be appointed either from other departments or from outside, he should be given the necessary orientation in Co-operation before placing him in charge of the work. (Para No. 25)

54. At the district level, there should be for each district a District Co-operative Audit Officer of the same rank and status as an officer in charge of a circle on the general side. Where a district is small, it may be joined to the charge of the District Co-operative Audit Officer of a neighbouring district. (Para No. 26)

55. The District Audit Officer need not be under the control of the divisional officer on the general side. Where the number of District Audit Officers is large, the State Government may consider whether it is necessary to place under the Chief Auditor at headquarters or at divisional level gazetted officers of the rank and status of Class I officers to supervise the work of District Audit Officers and also to conduct the audit of federal and other large institutions. (Para No. 26)

56. The District Audit Officer should undertake the test audit of a few societies that are audited by Senior Auditors. Similarly, Senior Auditors attached to the district offices should take up the test audit of a few societies whose accounts have been audited by Junior Auditors. The system of test audit may be introduced wherever it is not in vogue. (Para No. 27)

SUPERVISION

(Chapter VII)

57. It is necessary that in all States, not only should the functions of a supervisor be defined clearly, but measures should also be taken to see that the supervisor effectively discharges all the functions entrusted to him. (Para No. 11)

58. The central banks are the appropriate agencies to assume responsibility for supervision of primary credit societies. Where the responsibility of supervision is not with the central financing agencies, there should be a phased programme for transferring the responsibility to them. (Para No. 13)

59. Ultimately the supervision of societies other than primary credit societies should get transferred to appropriate federal agencies. Until, however, systematic arrangements for supervision are made within the co-operative sector, supervision has to remain the direct responsibility of the Co-operative Department. (Para No. 15)

60. Taking all relevant factors into account, the following norms are recommended for appointment of supervisory staff.

Type of societies	Number of Societies per Super- visor/Ins- pector
Credit Societies	
(a) Agricultural	
(i) Primary credit societies (small-sized)	25
(ii) Large-sized credit societies and credit unions	12
(b) Non-agricultural	
(i) Employees' credit societies and urban banks	15
(ii) other types e.g. artisans, fishermen etc.	25
Non-credit Societies	
(i) Primary consumers' stores	12
(ii) Primary marketing societies	12
(iii) Primary weavers' societies	10
(iv) Milk supply societies	15
(v) Fishermens' societies	15
(vi) Farming societies	10
(vii) Housing societies	20
(viii) Industrial societies other than weavers	10
(ix) Miscellaneous societies	20

(Para No. 20)

61. Officials of the status of Inspectors, Grade I may be allotted for work relating to marketing societies, consumers' stores, weavers and other types of industrial societies which have undertaken production activities, farming societies and housing societies. The remaining types of societies may be supervised by Inspectors Grade II.

(Para No. 20)

62. In the deployment of Supervisors/Inspectors care will have to be taken to see that each supervisor has to cover as compact an area as possible. As this would naturally involve the supervision of more than one type of society, the actual number of societies to be allotted to a supervisor will have to be determined by giving appropriate weightage to the different types of societies to be supervised in accordance with their relative workloads as emerging from the norms indicated above.

(Para No. 20)

63. For district federations, big processing units, wholesale stores, insurance societies, etc., additional staff would have to be provided to ensure effective supervision. It would be desirable for the circle or district officer concerned or a higher officer to conduct the inspection of such societies at least once a year. For purposes of supervision the State federations, sugar factories, spinning mills, etc. should be under the direct charge of a Joint Registrar.

(Para No. 22)

64. Where central financing agencies are already responsible for supervision over agricultural credit societies, the present pattern of assistance on a tapering scale should continue to be extended for appointment of additional supervisory staff. Where supervision which has remained so far with the Co-operative Department is proposed to be transferred to central banks, the State Government should subsidise the cost of supervisory staff to the full extent in the first year, to the extent of 75 per cent in the second year and 50 per cent in the third year. Assistance to the extent of 50 percent of the total cost should continue for a period of five years thereafter. Whether or not such assistance should be continued and if so, to what extent, may be reviewed at the end of the Fourth Plan.

(Para No. 25)

LOANING OF DEPARTMENTAL STAFF

(Chapter VIII)

65. For co-operative institutions to borrow the services of departmental staff as a regular arrangement is not healthy and detracts from their autonomous character. To secure services of Government officials on deputation should be an exception rather than the rule. Extensive use of an expedient like that under F.R. 127 in Andhra Pradesh and Madras should be discouraged and where necessary, the services of Government officials should be lent to co-operative institutions only on the normal deputation terms.

66. If the board of directors of any society decides to ask for the services of a Government official on deputation, then the proper course would be for it to request the Registrar to send it a panel of names of suitable Government officials along with their character rolls; the selection should be made by the board of directors of the society itself. During the period of such deputation, the president of the board of directors of the society should be entitled to enter in the confidential file of the Government official remarks regarding his conduct and work. The board of directors should also be entitled to recommend disciplinary action against the Government official concerned, if after following the prescribed formalities it comes to the conclusion that he has been remiss in the performance of his duties.

(Para No. 7)

67. In many States, in the present stage of development of the movement, the number of institutions that will be served by a particular cadre, the uneven size and business of the institutions and the uncertainty of the boards of such institutions being attracted to the idea of a cadre, it may be premature to think in terms of 'cadres' of personnel to cater to different types of institutions such as central financing agencies, primary marketing societies, primary land mortgage banks, etc.

(Para No. 13)

68. In a few States, the Co-operative Department has prescribed minimum qualifications that should be satisfied by the staff of co-operative institutions and these and other service conditions have been incorporated in the by-laws of societies. This should ensure that the co-operative institutions are manned by qualified persons, besides providing some security and permanence of service to the employees. In States where this has not been done, the Co-operative Department may, in con-

sultation with the appropriate federal organisations, lay down the qualifications etc. that should govern the appointment of staff in different types of co-operative institutions. (Para No. 14)

69. The federal organisations should assume responsibilities to ensure that their affiliated organisations are manned by adequately qualified and trained staff. (Para No. 15)

70. If cadres for co-operative institutions cannot be created for the reasons mentioned earlier, the services of departmental officers may have to be lent to co-operative institutions in certain circumstances, until federal organizations are able to provide the necessary personnel or extend support as suggested above. While deputing staff care should be taken to see that the normal work of the Department is not affected in any manner. (Para No. 16)

RECRUITMENT AND TRAINING

(Chapter IX)

71. Even though technical qualifications are not a prerequisite of recruitment into the Co-operative Department, a fairly high degree of intellectual equipment is essential in the staff to be recruited for the Co-operative Department. In order that such persons are attracted to the Department, the Co-operative Service should not only comprise levels indicated in Chapter IV but also provide for status, pay scales, special pays and other benefits at the various levels, which are not lower than those enjoyed by their counterparts in other development departments in the State. (Para No. 3)

72. The State Governments may re-examine the existing pay scales of staff at different levels of the Co-operative Department in the light of the responsibilities attaching to them and revise them in such a way as would attract to the Department the type of personnel that it needs. (Para No. 4)

73. As the posts of Joint Registrars carry considerable responsibility and officers holding them are expected to advise the Registrar and control and guide the work of divisional and district officers, only those officers should be considered for promotion as Joint Registrar who have put in at least five years in the higher grade of Class I (divisional officers) or ten years in Class I (officers in charge of districts), or an equivalent combination of both. (Para No. 8)

74. Where the post of the divisional officer is of the status of Class I—Higher Grade, it should be held by an officer who has had at least four years' experience in Class I (i.e. the level of officers in charge of whole districts) or ten years' experience in Class II or an equivalent combination of both. Direct recruitment of officers to fill the posts of divisional officers is not recommended. (Para No. 10)

75. The post of the officer in charge of a district should be held by an officer who has served at least for three years as circle officer (i.e. Class II) and has acquired experience in the administration of societies. (Para No. 12)

76. In regard to the appointment to the posts of 13 circle officers (Assistant Registrars), it would be desirable to reserve fifty per cent of the posts for direct recruitment to draw in fresh blood to the Department. Such direct recruitment should be on the basis of a competitive examination which may be held in common with other services as well. For appointments to the co-operative service, some weightage may be given during the *viva voce* test to candidates who hold degrees in co-operation, economics, commerce, agriculture or statistics. A diploma in co-operation in addition to a degree in some other subject should also entitle a candidate to a similar weightage. (Para No. 13)

77. For promotion to the posts of circle officers (Assistant Registrars) a minimum period of five years of field experience at the level equivalent to Grade I Inspector or Senior Auditor should be prescribed so as to ensure the requisite experience. (Para No. 13)

78. Recruitment to the posts in higher level of non-gazetted staff *i.e.* Inspectors Grade I, need not be direct. These post should be filled by promotion of suitable persons from the rank of Inspectors Grade II or Junior Auditors with a prescribed minimum period of experience. At the lower level (*i.e.* Inspector Grade II), seventy-five per cent of the posts may be filled by direct recruitment on the basis of a competitive examination. The minimum qualification at this level should be a university degree. The scale of pay should be such as would attract graduates at this level. The remaining twenty-five per cent of the posts may be filled by selecting suitable employees of co-operative institutions (supervisors of central banks, secretaries of large-sized societies etc.) and supervisors and ministerial staff of the Co-operative Department. (Para No. 18)

79. As the various plan programmes are drawn up sufficiently in advance, it should be possible for the Co-operative Departments to assess the requirements of staff one year in advance and to take steps to have the necessary staff sanctioned, recruited and trained. (Para No. 21)

80. The question of creating an All-India Co-operative Service should be kept open, and a final decision taken only after detailed examination in the light of the situation that will emerge after the proposal to constitute an All-India Agricultural Service is finally disposed of. (Para No. 24)

81. Any expansion of the Department without adequate arrangements for the training of the staff at different levels is not conducive to sound co-operative administration, audit and supervision. As the programme of recruitment and training should go hand in hand, the State Governments should provide for a 'training reserve' while making recruitment so that the staff appointed get trained soon after appointment and in any case before they are put on the field. Five per cent at each of the lowest levels of gazetted and non-gazetted rank is suggested for this purpose. (Para No. 38)

82. In the context of the rapid growth of the movement in different directions, it is necessary that officers of the Department at different levels should go through a refresher or re-orientation course once in 5-7 years. Such refresher courses should also include visits to well-developed institutions in the traditional and new fields of activity and to other States, if feasible. Apart from these refresher courses it may be useful for the Co-operative

Department to convene seminars at which officers of the Department could meet and discuss the common problems that they face in their day-to-day work. (Para No. 39)

83. In the light of the programmes drawn up for organizing institutions in the special fields of co-operative activity, the Co-operative Department will have to estimate its requirements of staff to be put in charge of these activities and make suitable arrangements with the National and State Co-operative Unions to provide the necessary training facilities. (Para No. 40)

84. As the staff of the Co-operative Department have to be conversant with the problems and difficulties faced by Co-operative institutions and of how they can best be met under a certain set of circumstances, it would be conducive to the efficiency of the staff if they are given practical training before they are called upon to take charge of responsible duties. The directly recruited Assistant Registrars may be given one year's field training besides going through the Intermediate Officers' Training Course. At the level of intermediate officers, the period may be six months, besides the above theoretical training course. For junior officers, the period may be fixed at three months besides the basic training course at a Junior School. During the period they undergo training they may be attached to officials in charge of different functions so that they acquire a general idea of the various functions of the Co-operative Department. (Para No. 41)

85. The possibilities of providing experience in other departments of Government to co-operative departmental officers may be explored. (Para No. 42)

86. Deputation of co-operative departmental officers on a tenure basis to the Ministry of Community Development and Co-operation and other national institutions viz. the National Co-operative Development Corporation and the Reserve Bank of India, will help to widen their experience. A regular programme of inter-State study can also be usefully arranged for the benefit of the officers. (Para No. 42)

87. It would be advantageous to depute one Class I officer at a time to the Secretariat Department for a short period to get trained in the methods, procedures etc., followed by the Secretariat Department dealing with Co-operation. (Para No. 43)

FEDERAL AGENCIES—TRANSFER OF DUTIES, FUNCTIONS AND POWERS

(Chapter X)

88. The State Governments should promote the formation of federal bodies where they are not in existence, review the working of existing federal institutions charged with certain functions (e.g. supervision, training) and consider early the question of transferring to them some of the statutory powers of the Registrar. For enabling State Governments to do so in areas where the conditions are favourable, the Co-operative Societies Act should be amended suitably to provide for the transfer of powers to federal organizations. (Para No. 4)

DEMOCRATIC DECENTRALIZATION AND CO-OPERATIVE ADMINISTRATION

(*Chapter XI*)

89. It is necessary to ensure that extraneous forces, political or otherwise, are not allowed to influence the working of co-operatives, which are essentially business organizations. Care should be taken to see that their efficiency and soundness are not impaired and that their autonomy is safeguarded. Moreover, any transfer of powers to Panchayati Raj institutions will dilute the responsibility of the Co-operative Department and will impede progress towards the transfer of authority to federal agencies which will make the movement self-disciplined and self-regulatory. (Para No. 8)

90. Panchayati Raj organizations should interest themselves in such items as promotion, development and planning i.e. drawing up proposals for the registration of new societies, the expansion of membership in existing societies, the revitalization of weak institutions, the preparation of production plans, the planning of the general programmes for the supply of credit seeds, fertilizers and other requisites. The Co-operative Extension staff should be utilized to attend to these items. Where supervision over primary societies is the responsibility of the Co-operative Department, the Co-operative Extension Officer should be available for the purpose. (Para No. 11)

91. As regards control over the staff deputed to Zilla Parishads and/or Panchayat Samitis, there should be a clear understanding between the district officer of the Co-operative Department and the Chief Executive Officer of the Panchayat Samiti. While the latter may continue to have administrative control over the extension staff in keeping with the general pattern of administration under the decentralized set-up, it should be made obligatory on him to carry out with the help of the extension staff the instructions of the officer of the Co-operative Department at the district level. (Para No. 11)

92. The Co-operative Department should have full powers of transferring the staff allotted to the panchayati raj organizations in order to ensure that every member of the staff has at least two year's experience on the general side before being entrusted with audit work. (Para No. 12)

CONCLUSION

(*Chapter XII*)

93. It must be ensured that the statutory duties like audit, inspection, arbitration and liquidation, rectification of defects and prompt action to remove irregularities do not get neglected. (Para No. 2)

94. The recommendations made in the Report in regard to the staff to be maintained at different levels represent the minimum strength that the Department should have if it has to fulfil the role assigned to it in the planned development of the country. The actual strength of the staff in a State will, however, be determined by the numerical size, the

volume of operations, the types of activities covered and other local conditions such as means of communication, etc. (Para No. 3)

95. Any increase in the size of the Co-operative Department should not lead to any interference in the day-to-day working of co-operative institutions such as would adversely affect their freedom and autonomy. (Para No. 4)

96. The administration of the Co-operative Department becomes less difficult and can be carried on successfully even with a limited staff where there is a large body of non-official workers, who take interest in and give their attention to the building up of the movement. (Para No. 5)



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A P P E N D I C E S



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APPENDIX I
QUESTIONNAIRE

PART 'A'

Co-operative Departmental Set-up

1. Indicate the strength of the co-operative departmental staff at the various levels viz., at State headquarters, divisional, district, block and lower levels in the proforma appended (Appendix I).

2. What are the norms, if any, laid down for appointment of staff of various categories ?

Do the norms take into account leave and training reserves and if so how are the leave and training reserves worked out and at what levels ?

3. (a) What is the total budgetary outlay (Plan and non-Plan) for co-operative departmental staff for the years 1960-1, 1961-2, 1962-3 and 1963-4 and the actual expenditure under head during the first three years ?

(b) What is the Third Plan provision for co-operative departmental staff and the amount utilised during the first two years and the amount provided under the annual development programme in 1963-4 ?

4. How does the staff in the Co-operative Department at various levels compare in regard to scales of pay, etc. with their counterparts in other departments like Agriculture, Industries, having similar jurisdiction in area and holding the same position in the administrative set-up ?

5. (a) In selecting the Registrar what are the considerations (e.g. qualifications, experience, special aptitude) taken into account by the State Government ?

(b) Is the post of the Registrar borne on the IAS cadre ? How does the post compare in status with that of the heads of other departments ?

(c) If the Registrar's post is held by one who has been promoted by virtue of his service in the co-operative department, please indicate the length of his service in the department in different capacities.

(d) What is the usual period of tenure of the officer appointed as Registrar ?

Please give details of the tenure and the seniority (i.e. the year of allotment) of the officers who were appointed to the post of the Registrar during the last fifteen years.

(e) Various Committees which have studied the co-operative set-up have stressed that the person appointed as Registrar should be kept in the post for fairly long periods, say five years. Are there any special difficulties in implementing this recommendation ?

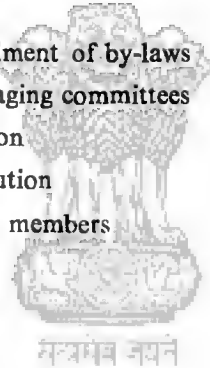
6. Has the Registrar power under the law to inspect, on his own motion, a co-operative society ? If so, is there a separate machinery for inspection work ? What is its set-up ? How often is (a) a primary society, (b) a central co-operative bank and (c) the State co-operative bank inspected ?

7. Is the Registrar vested with the powers to execute decrees passed for the recovery of co-operative dues ?

Is the Registrar given sufficient and special staff for the purpose ? Please give details.

8. Please indicate to what extent and in what manner the Registrar has delegated his powers to officers at lower levels particularly with regard to the following :

- (i) Registration
- (ii) Approval and amendment of by-laws
- (iii) Supersession of managing committees
- (iv) Enquiry and inspection
- (v) Arbitration and execution
- (vi) Levying surcharge on members
- (vii) Audit
- (viii) Liquidation
- (ix) Appeals



9. In the Co-operative Societies Act of some States there is provision for the transfer of specified powers under the Act to co-operative federal agencies. Is there scope for such transfer of powers to federal agencies in your State ?

10. Are there Government officers holding official positions of responsibility in the Managing Committees of co-operative institutions like Chairman, Vice-chairman and Managing Director ? If so, is there a programme for their being replaced by non-official members ?

11. Do the Government nominees on the Boards of Management of institutions which are State-partnered enjoy the power of veto ? If so, in what circumstances and on what matters ?

12. What are the arrangements for the control over co-operative staff in Community Development Blocks ?

With the transfer of authority to Panchayati Raj institutions, have these arrangements undergone any changes ?

13. Is it the practice to obtain the services of staff from other executive departments, e.g. Agriculture, Industries, P.W.D., etc. for providing technical advice and guidance to special types of institutions ? If so, what are the terms (e.g. period, special pay, etc.) of such deputation ? Please give details of the staff on such deputation at present. Is it ensured that in their case the administrative control over them is passed on to the Co-operative Department ?

14. Where other departments have administrative control over certain types of co-operative societies, are the services of staff from the Co-operative Department lent to them ? If so, on what terms ?

15. What is the policy of your State Government in regard to lending of services of co-operative Departmental staff to co-operative institutions e.g., central co-operative banks, marketing societies, processing societies, etc. ?

Please indicate the number and status of co-operative departmental staff placed on such deputation at present. What are the usual terms stipulated by the State Government while placing the services of the departmental staff with co-operative institutions ?

Is any portion of their emoluments borne by the State Government ? Is the capacity of the institution taken into account while fixing the terms of deputation ?

16. Please give the number of co-operative societies of each type in the state in the proforma given in Appendix II.

PART 'B' AUDIT

1. What is the administrative set-up in the regard to audit of different types of co-operative societies ?

Is there separate staff for audit of different types of societies ? If so, give details.

2. Is there a Chief Auditor ? What are the powers conferred on him ? What control does he exercise over the staff responsible for conducting audit ?

3. What is the strength of audit staff (categorywise) at various levels ?

On what basis is the strength of the staff determined ? Is the staff adequate to ensure that the audit of every society is completed within the following year ? If not, what is the scale you would suggest ?

4. What is the relationship that exists between the audit staff and the administrative or field staff ?

Are the audit staff also entrusted with non-audit functions ?

5. Is there a system of concurrent audit in the case of institutions with large transactions ?

6. Are the 'audit' and the 'administrative' staff inter-changeable ?

PART 'C' **SUPERVISION**

1. Please indicate the arrangements in regard to supervision work in your State. Under whose administrative control do the staff function ?

2. What is the strength of the supervisory staff (categorywise) employed by the agency which is entrusted with this work ?

On what basis is the strength of the staff determined ?

3. How often is a society visited ?

What is the nature of work done by the staff engaged in supervision ?

4. How is the expenditure on "supervision" met ? Is it met out of :

- (i) supervision fees levied on societies
- (ii) contribution from the central co-operative bank
- (iii) contribution from the State Government ?

PART 'D' **TRAINING**

1. What are the arrangements made for the training of co-operative departmental personnel at different levels ?

Are they adequate ?

2. If co-operative personnel are put in charge of a special field of co-operative activity (e.g. co-operative farming, processing, banking, housing etc.) are they given suitable training in the broad technological aspects of that activity ? If so, in what manner ?

3. If on the other hand, personnel are brought from the department technically concerned, to take charge of the activity, are they put through a suitable orientation course in co-operative methods and principles ? Please give details.

4. (a) How many among the existing staff at various levels have not undergone any co-operative training ? Is there any programme drawn up by the Department to get them trained over a period of time ? Please give details.

(b) Are there any special difficulties which have come in the way of drawing up and implementing such a programme ?

PART 'E'

RECRUITMENT

1. What is the procedure followed by the State Government in regard to recruitment of co-operative departmental personnel at various levels ?

What are the qualifications, academic and other prescribed for the various posts ?

Is experience in co-operative institutions at various levels also considered as a qualification ?

Is co-operative training an essential qualification for a permanent appointment in the Co-operative Department ?

2. While recruiting staff, is account also taken of the person's knowledge and appreciation of the problems and requirements of the class of people whom he is likely to serve ?

3. If the State Government have drawn up a set of Recruitment Rules, a copy of the Rules may please be supplied.

4. If the Co-operative Department has compiled a "Staff Manual" a copy thereof may please be sent.

PART 'F'

1. Is there any other executive department having control over special types of co-operative societies ? If so, please indicate in the proforma at Appendix I the strength of the staff maintained in them at the various levels for dealing with such societies.

2. Is there any provision in the Plan schemes of other departments for co-operative staff ? If so, what is the total provision under the Third Plan and the amount utilised during the first two years and the amount provided under the annual development programme in 1963-4 ?

3. In the Secretariat Department to the State Government which handles the subject of "Co-operation", please give details of the staff who handle the subject of "Co-operation".

Where the staff have to attend to other subjects also please give a rough estimate of the time spent on other subjects e.g. half, one quarter and so on.

4. Give details of the arrangements made to ensure coordination and mutual support between the Cooperative Department on the one hand and the other executive departments like Agriculture, Animal Husbandry, Industries, Irrigation, etc., on the other.

5. Since under the Plan, the Co-operative Movement has been accepted as an instrument of State policy, what steps have been taken to ensure that other Departments of Government (e.g. Industries, P.W.D., Animal Husbandry, Forests, Agriculture) utilize the services of co-operative organizations for their Plan programmes ? Have any arrangements been devised to enable the staff to acquire knowledge about the principles and practice of Co-operation ?

APPENDIX I TO THE QUESTIONNAIRE

Co-operative Departmental set-up in.....State

Part I/ II/ III/ IV*

Name of the post	Nature of duties @	Scale of pay	Special pay, if any	Allowances		No. of posts sanctioned at the end of						Staff in actual position at the end of					
				Dear-ness	Other	1955-6		1960-1		1965-6		1955-6		1960-1		1962-3	
						I Plan	II Plan	I Plan	II Plan	I Plan	II Plan	I Plan	II Plan	I Plan	II Plan		
						(proposed)											
P	T	P	T	P	T	P	T	P	T	P	T	P	T	P	T	P	T
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18

P : Permanent

T : Temporary


* (a) Please prepare the statement in four parts :

(I) At Headquarters (II) At Divisional level (III) District staff excluding staff under Community Development Blocks and Panchayati Raj Institutions. (IV) Staff under Community Development Blocks and Panchayati Raj Institutions.

(b) In each part, classify the posts into gazetted, non-gazetted.

@ Where a post is functional e.g. Joint Registrar (consumers), Deputy Registrar (Industrial Co-operatives), Assistant Registrar (Fisheries) please list out such posts separately, indicating in column 2 their main sphere of responsibility as well as subsidiary functions, if any.

APPENDIX II TO THE QUESTIONNAIRE **Number and type of Co-operative Societies in.....State**

Type of society	Number as at the end of		
	1955-6	1960-1	1965-6 (estimated)
<div>  <p>सत्यमेव जयते</p> </div>			
I. Credit Societies			
(A) <i>Short-term</i>			
(i) State co-operative banks			
(ii) Central co-operative banks			
(iii) Primary credit societies			
(a) Agricultural (including grain banks)			
(b) Non-agricultural			
(B) <i>Long-term</i>			
(a) Central land mortgage banks			
(b) Primary land mortgage banks			
II. Non-credit Societies			
(i) Farming societies			
(ii) Marketing societies			
(iii) Processing societies (specify)			
(iv) Weavers' societies			
(v) Other industrial societies			
(vi) Milk supply societies			
(vii) Consumers' stores			
(viii) Housing societies			
(ix) Irrigation societies			
(x) Fisheries societies			
(xi) Labour contract societies			
(xii) Transport societies			
(xiii) Co-operative printing press			
(xiv) General insurance societies			
(xv) Supervising unions			
(xvi) State unions and institutes			
(xvii) Others (specify)			

APPENDIX II

LIST OF INSTITUTIONS AND INDIVIDUALS WHO REPLIED TO QUESTIONNAIRE

State Co-operative Banks

1. Bihar
2. Kerala
3. Mysore
4. Orissa
5. West Bengal

National/State Co-operative Unions

1. National Co-operative Union of India
2. Gujarat State Co-operative Union
3. Jammu & Kashmir Co-operative Union
4. Manipur State Federal Co-operative Union
5. Orissa State Co-operative Union
6. Tamil Nadu Co-operative Union
7. West Bengal State Co-operative Union

Prominent non-official co-operators

1. Shri Nand Kishore Narain
2. Shri Nagendra Kumar Bhattacharyya
3. Shri Probodh Kumar Roy
4. Shri M. Somappa
5. Shri P. S. Rajagopal Naidu
6. Shri M. P. Nachimuthu
7. Shri Dip Narayan Sinha

APPENDIX III

COMMITTEE ON CO-OPERATIVE ADMINISTRATION

C/o Agricultural Credit Dept.
Reserve Bank of India,
Post Box No. 1037,
Bombay 1.

No. CCA. 356, 359 to 361/B. 3-63

September 6, 1963

Registrars of Co-operative Societies
State Co-operative Banks
State Co-operative Unions
State Co-operative Marketing Societies

Dear Sir

* * *

2. The Ministry of Community Development and Co-operation, has now advised the Committee to study the question of "cadres" for the increasing number of co-operative institutions that are coming up in different sectors of the economy. As the Committee has reached the final stages of its examination of the co-operative administrative machinery in various States, it is not proposed to issue any questionnaire on the subject of the staffing of federal and other important co-operative institutions. The Committee would, however, very much appreciate to have your views on the subject, particularly in regard to the following aspects :

- (1) Whether the creation of a "cadre" is necessary and feasible and if so, for what types of institutions and at what levels ?
- (2) If the creation of a cadre is considered to be necessary, would it be objected to by some among the institutions concerned as being inconsistent with the concept of "co-operative autonomy"?
- (3) For the proposal to be implemented, whether any amendment of law relating to Co-operation would be considered necessary ?
- (4) What type of arrangements would you envisage for recruitment, punishment and control of personnel brought under such cadres?

3. As the Committee is expected to submit its report very soon, we shall be grateful if you will send us your views on the subject at a very early date and in any case, before 25 September 1963.

Yours faithfully,
G. V. RAMAMURTHY
Secretary.

APPENDIX IV

LIST OF REGISTRARS AND CO-OPERATIVE INSTITUTIONS WHO REPLIED TO THE CIRCULAR LETTER REGARDING CREATION OF 'CADRES' FOR CO-OPERATIVE INSTITUTIONS

Registrars of Co-operative Societies

1. Assam
2. Gujarat
3. Jammu & Kashmir
4. Kerala
5. Madhya Pradesh
6. Maharashtra
7. Mysore
8. Orissa
9. Punjab
10. Rajasthan
11. West Bengal

State Co-operative Banks

1. Bihar
2. Gujarat
3. Kerala
4. Madras
5. Orissa
6. Rajasthan
7. West Bengal



State Co-operative Unions

1. Gujarat State Co-operative Union
2. Madhya Pradesh State Co-operative Union
3. Mysore State Co-operative Union
4. Orissa State Co-operative Union
5. Tamil Nadu Co-operative Union

State Co-operative Marketing Societies

1. Gujarat State Co-operative Marketing Society
2. U. P. Co-operative Federation

APPENDIX V

LIST OF OFFICIALS AND NON-OFFICIAL CO-OPERATORS WHO GAVE EVIDENCE BEFORE THE COMMITTEE

Maharashtra

1. Shri K.S. Sonawane, Minister for Co-operation
2. Shri B.J. Khatal, Deputy Minister for Co-operation
3. Shri N.T. Mone, Chief Secretary to the Government
4. Shri K.P. Khanna, Deputy Secretary, Co-operation and Rural Development Department.
5. Shri L.N. Bongirwar, Registrar of Co-operative Societies
6. Shri M.K. Firodea, M.P., President, Maharashtra State Co-operative Union
7. Shri A.K. Majumdar, Additional Dairy Development Commissioner
8. Shri V.V. Apte, Joint Director, Directorate of Industries

Andhra Pradesh

1. Shri M.P. Pai, Chief Secretary to the Government
2. Shri H.Sambamurthi, Joint Secretary to the Government, Food and Agriculture Department
3. Shri Ghulam Rasool, Deputy Secretary to the Government, Food and Agriculture Department
4. Shri M.P. Cariappa, Registrar of Co-operative Societies
5. Shri B.Narasimha Reddy, Vice-President, Andhra Pradesh State Co-operative Bank
6. Shri Madhava Rao Anwari, Member, Managing Committee, Hyderabad Central Co-operative Union
7. Shri B.L. Oates, Director of Industries and Commerce
8. Shri D. Viswanatha Reddy, Director of Agriculture
9. Shri K.Subba Rao, Director of Marketing
10. Dr. P.M.N. Naidu, Director of Animal Husbandry
11. Shri Y. Ram Mohan Rao, Deputy Director of Fisheries

Mysore

1. Shri Kondaji Basappa, Deputy Minister for Co-operation
2. Shri M. Vasudeva Rao, Development Commissioner
3. Shri R. Bharaniah, Registrar of Co-operative Societies
4. Shri A.S. Patil, M.L.A., President, Mysore State Co-operative Union
5. Shri M. Malraj Urs, Director of Agriculture
6. Shri T. Shammanna, Director of Industries and Commerce

7. Shri V.V. Kalyani, Director of Fisheries
8. Shri V.R. Uthaman, Director of Sericulture

Kerala

1. Shri K.P. Poullose, Minister for Food and Agriculture
2. Shri K.C. Sankaranarayanan, Secretary to the Government, Agriculture Department
3. Shri K. Narayanan, Registrar of Co-operative Societies
4. Shri K.R. Elankath, Vice-President, Kerala State Co-operative Bank and Chairman, Travancore-Cochin Co-operative Institute

Madras

1. Shri Nallasenapathi Sarkarai Manradiar, Minister for Co-operation
2. Shri M.A. Sheriff, Joint Secretary to the Government, Department of Industries, Labour and Co-operation
3. Shri V.K. Appandarajan, Registrar of Co-operative Societies
4. Shri K.S. Subramanya Gounder, M.L.A., Director, Madras State Co-operative Bank
5. Dr. P. Natesan, General Secretary, Tamilnadu Co-operative Union
6. Shri V. Karthikeyan, Director of Agriculture
7. Shri Raghubir Singh, Director of Fisheries
8. Shri D. Mariasusai, Joint Director of Industries and Commerce (Industrial Co-operatives)
9. Shri C.K. Subbu Singh, Deputy Director of Animal Husbandry
10. Shri V. Padmanabhan, Secretary, State Khadi and Village Industries Board, Madras

West Bengal

1. Shri C. Roy, Minister of State, Co-operation
2. Shri R. Gupta, Chief Secretary to the Government
3. Shri J.C. Talukdar, Secretary, Co-operation Department
4. Shri S. Dutt, Registrar of Co-operative Societies
5. Shri B. Majumdar, Chairman, West Bengal Provincial Co-operative Bank
6. Shri P.K. Roy, Chairman, West Bengal Central Co-operative Land Mortgage Bank
7. Shri Punyabrati Bose, Chairman, West Bengal State Co-operative Union
8. Shri S.M. Mukherjee, Joint Director of Industries (Ex-Officio Joint Registrar of Co-operative Societies)
9. Shri N.C. Ray, Additional Director of Agriculture (Marketing)
10. Shri P.K. Roy, Adviser, Dairy Development and Animal Husbandry

11. Representatives of the West Bengal Co-operative Service Association
12. Representatives of the West Bengal Co-operative Directorate Senior Officers' Association

Bihar

1. Shri K.B. Sahay, Minister for Co-operation
2. Shri L. Dayal, Secretary to the Government, Co-operation and Sugarcane Department.
3. Shri R.D. Pande, Registrar of Co-operative Societies
4. Shri Nand Kishore Narayan, President, Bihar Co-operative Federation
5. Shri C.R. Vaidyanathan, Managing Director, Bihar State Co-operative Bank

Assam

1. Shri A.K. Roy, Registrar of Co-operative Societies

Orissa

1. Shri Santosh Kumar Sahu, Deputy Minister for Co-operation
2. Shri B. Sivaraman, Chief Secretary to the Government
3. Shri K.S. Bawa, Registrar of Co-operative Societies
4. Shri S.C. Roy, President, Orissa State Co-operative Union
5. Shri Y.R. Bali, Managing Director, Orissa State Co-operative Bank
6. Shri K.K. Samuel, Director of Agriculture

Rajasthan

1. Shri Mohanlal Sukhadia, Chief Minister
2. Shri Bhim Singh, Deputy Minister for Co-operation
3. Shri R.D. Mathur, Development Commissioner
4. Shri R.K. Chaturvedi, Secretary to Government, Department of Co-operation, Medical and Public Health
5. Shri Vishnudutt Sharma, Registrar of Co-operative Societies
6. Shri Sukh Dayal, General Manager, Rajasthan State Co-operative Bank
7. Shri Motilal Chowdhury, Honorary Secretary, Rajasthan State Co-operative Union
8. Shri T.C. Kala, Director of Agriculture
9. Shri T.N. Chaturvedi, Director of Industries
10. Shri Niranjana Singh, Director, Sheep & Wool
11. Shri G.S. Rathore, Director of Animal Husbandry

Uttar Pradesh

1. Shri Bhagwant Singh, Secretary to Government in charge of Co-operation

2. Shri Iftikar Hussain, Registrar of Co-operative Societies
3. Shri Raj Bahadur Singh, Vice-Chairman, Uttar Pradesh Co-operative Bank
4. Shri Tej Pratap Singh, Vice-Chairman, Uttar Pradesh Co-operative Union
5. Shri M. Samiuddin, Director of Industries
6. Shri M. Zunnurain, Cane Commissioner
7. Shri Ram Krishan. Deputy Development Commissioner (Agriculture)
8. Representatives of the U.P. Co-operative Service Association

Punjab

1. Shri V.P. Johar, Registrar of Co-operative Societies

Madhya Pradesh

1. Shri Ram Biharilal, Registrar of Co-operative Societies
2. Shri Brahma Swarup, Deputy Secretary to the Government, Department of Agriculture, Forests and Co-operation
3. Shri A.L. Jain, Vice-President, Madhya Pradesh State Co-operative Union
4. Shri J.K. Verma, President, Madhya Pradesh Co-operation Department Gazetted Officer's Association

Delhi Administration

1. Shri E.B. Reinboth, Development Commissioner and Ex-Officio Registrar of Co-operative Societies
2. Shri Karan Singh, Honorary Secretary, Delhi State Co-operative Bank
3. Capt. H.S. Lather, Director, Delhi Co-operative Institute

Gujarat

1. Shri Vajubhai Shah, Minister for Co-operation
2. Shri Devendra Desai, Deputy Minister for Co-operation
3. Shri V.L. Gidwani, Chief Secretary to the Government
4. Shri G.F. Mankodi Secretary to Government, Agriculture, Rural Development and Co-operation
5. Shri V.R. Mehta, Registrar of Co-operative Societies
6. Shri Maganlal R. Patel, Chairman, Gujarat State Co-operative Bank
7. Shri K.F. Ghiya, General Secretary, Gujarat State Co-operative Union
8. Dr. D.K. Desai, Director of Animal Husbandry
9. Dr. G.A. Patel, Director of Agriculture
10. Shri S.R. Pradhan, Deputy Director of Industries
11. Shri K. Chidambaram, Director of Fisheries

APPENDIX VI
GAZETTED STAFF OF THE CO-OPERATIVE DEPARTMENT AT STATE HEADQUARTERS
(As on 31 March, 1963)

State	Officers of higher status than that of a divisional officer			Officers of divisional officers' status			Other officers (i.e. of the rank of district or circle officers)		
	Designation	No.	Subjects dealt	Designation	No.	Subjects dealt	Designation	No.	Subjects dealt
1	2	3	4	5	6	7	8	9	10
1. Andhra Pradesh	Jt. Registr.	6*	(i) Audit & farming (ii) Consumer's stores (iii) Handloom (iv) to (vi) Marketing, planning, credit, housing, accounts etc.	—	—	—	Dy. Registr.	13	Establishment, accounts, marketing, credit, housing, stores etc. (11 posts) handlooms (2 posts) 1 Dairy development
							Dairy Devel. Officer	1	Dairy development
							Palm Gur	1	Palm Gur societies
							Organiser	1	Handloom development
							Handloom Devel. Officer	1	Accounts
							Accounts Officer	4	N.A.
							Asstt. Registr.	1	Planning
							Spl. Officer	1	Education, Propaganda, Publicity
							Education Officer		
2. Assam	Jt. Registr.	3	(i) Audit & Statistics (ii) Consumers, marketing & procurement (iii) Processing, farming & credit	Dy. Registr.	1	Handloom development			

* It is stated that on the creation of 4 divisional offices in the State in October 1963, the number of Joint Registrars at headquarters has been reduced to four.

1	2	3	4	5	6	7	8	9	10
5. Jammu & Kashmir				Particulars not available					
6. Kerala	Jt. Registr.	4	(i) Audit (ii) Consumers' stores (iii) Food Production Drive (iv) General	—	—	—	Dy. Registr. Financial Asstt. Marketing Officer Asstt. Registr. Law Officer	3 1 1 1 1	Admn./Planning/ Credit, farming Finance Marketing Consumers' stores Law
7. Madhya Pradesh	Jt. Registr.	5	(i) Audit (ii) Consumers' stores (iii) Credit (iv) Marketing & processing (v) Farming	Dy. Registr.	4	Credit, Marketing, Manual, Estt.	Asstt. Registr.	7	Accts./Credit/LMBs/ Planning/Fertilisers/ Statistics/Education & Training
8. Madras	Jt. Registr.	5	(i) Credit (ii) Housing & farming (iii) Marketing (iv) Training (v) Consumers' stores	—	—	—	Dy. Registr.	10	Credit/Marketing/ Training/Farming/ Consumers' stores/ LMBs, Milk Supply & Sugar/Weavers/ Housing/Statistics/ P.A. to Registrar
	Chief Audit Officer	1	Audit				Dy. Chief Audit Officer	1	Audit

1	2	3	4	5	6	7	8	9	10
11. Orissa	Addl. Regr.	1	Handlooms, power-looms and sericulture	Dy. Regr.	5	Marketing/Labour/Consumers/Handlooms (2 posts)	Asstt. Regr.	9	Admn. & Supervision (5 posts)/Lift Irrigation/Statistics/Grain/golas/Fisheries
	Jt. Regr.	1	Administration & Supervision	Chief Audit Officer Special Officer	1 1	Audit Fisheries	Spl. Officer Education & Propaganda Officer Est. Officer P.As.	2 1 1 5	Farming/Manual Education & Propaganda Establishment N.A.
12. Punjab	Jt. Regr.	5	N.A.	—N.A.—				—N.A.—	
13. Rajasthan	Addl. Regr.	1	Consumers' Stores	Dy. Regr.	5	Admn./Expansion/Industries/Farming/Banking, marketing, ware-housing and processing	Asstt. Regr.	7	P.A./Rules/Admn./Industries/Banking/Marketing/Farming
	Jt. Regr.	1	General				Statistical Officer	1	Statistics
				Chief Auditor Accts. Officer	1 1	Audit Accounts	Publicity Officer Extension Officer	1 1	Publicity Planning

1	2	3	4	5	6	7	8	9	10
14. Uttar Pradesh	Addl. Registr.	3	General Adm.	Dy. Registr.	5	Budget & Estt./Farming/Marketing, Warehousing, Processing/Plan, Law/Seed Stores, Devl.	Asstt. Registr.	7	Assisting headquarters Officers Annual returns, statistics Publicity & Propaganda Seed stores Cattle loans Survey of milk co-operatives Seed stores accounts (3 posts) loans, grants (1 post)
				Agri. Officer	1	Seed Stores	Dy. Dairy Devl. Officer	1	
				Education-Publicity Officer	1	Training and Publicity	Dairy Surveyor	1	
				Chief Dairy Development Officer	1	Dairy Schemes	P.A. to Registr. Accounts Officer	1	
				Dairy Development Officer	1	—do—		4	
15. West Bengal	Jt. Registr.	2	(i) General stores Audit (ii) Consumers' Audit	Sr. Accounts Officer	1	Accounts and Budget	Asstt. Registr.	3	Fisheries/Farming/Liquidation
	Chief Auditor	1					P. A. to Registr. Coop. Development Officer	1	Statistics
	Dy. Registr.	6	Marketing/Industries/K. & V. I./Training/Liquidation/General						

APPENDIX VII

DELEGATION OF STATUTORY POWERS OF THE REGISTRAR TO OFFICERS AT LOWER LEVELS

Andhra Pradesh

The State Government have delegated all the statutory powers vested in the Registrar under the Co-operative Societies Acts in force in the State to the Joint Registrars. The Deputy Registrars (district level officers) in charge of circles exercise all such powers except those relating to supersession of committees of societies, liquidation of societies (other than those whose membership falls below the statutory minimum), revision of awards and revision, modification or reversal of proceedings of subordinate officers. Although the Deputy Registrars have been empowered to register societies, they are required to obtain the prior approval of the Registrar for registering special types of societies or those whose proposed by-laws deviate from the model by-laws. Co-operative Sub-Registrars have been empowered to entertain and dispose of certain types of disputes and to call for general meetings when the committees fail to comply with requisitions.

Assam

The Joint Registrar (Audit) exercises the powers of the Registrar under the Co-operative Societies Act in so far as they relate to audit of co-operative societies. The powers of the Registrar have also been delegated to officers at other levels i.e., zonal, district and sub-divisional levels. The powers relating to registration, approval and amendment of by-laws, division and amalgamation of societies, arbitration and surcharge have been delegated to Assistant Registrars, while the power to direct amendment of by-laws and those relating to investment of funds, utilization of reserve fund, enquiry, inspection, liquidation, appeal, seizure of records have been vested with Deputy Registrars. Besides, the Deputy Registrars have been empowered to interfere with the resolution of a society for its division or amalgamation and to recoup expenditure from societies in respect of supervision, inspection and guidance.

Bihar

The powers of the Registrar under the Co-operative Societies Act relating to registration, approval and amendment of by-laws, enquiry and inspection and arbitration have been delegated to Assistant Registrars, District Co-operative Officers, Deputy Registrars and Joint Registrars. Assistant Registrars have been empowered to exercise the power relating to enquiry only in respect of primary societies. Power to take societies into liquidation has been conferred only on Deputy Registrars and Joint Registrars. Power to levy surcharge has been delegated only to Joint Registrars. For hearing of appeals a Deputy Registrar (Judicial) has been appointed at the headquarters. Registrar hears revision cases. The power to audit has been delegated to Joint Registrar-cum-Chief Auditor, District Co-operative Officers, Assistant Auditors and Local Auditors.

Gujarat

The State Government have delegated all the powers of the Registrar under the Co-operative Societies Act to Deputy Registrars and District Registrars except, amendment of by-laws, investment of funds, audit of societies, appeals, passing orders on the proceedings of the subordinate staff and granting of permission to open branches of societies. The Assistant District Registrars in turn are vested with the powers of the Registrar except those indicated above and the following :

- (i) to remove a person from membership of a society, in certain circumstances
- (ii) to approve the expulsion of a member or to sanction his re-admission or admission of such a member within two years as a member of the society or any other society
- (iii) to accord sanction to a society to make loans to another society
- (iv) to issue certificates for the purpose of payment of the dues of a member of a society by the employer, on the latter's failure to effect the authorised deductions from the former's salary or the employer's default in remitting the amount collected from the employee on behalf of the society
- (v) to permit a society to take to its reserve fund an amount less than that prescribed by the Act
- (vi) to supersede the committee of any society
- (vii) to order a re-audit of a society
- (viii) to suspend an officer or servant of a society
- (ix) to assess damages against delinquent promoters of a society and
- (x) to hear an appeal against the order for winding up of a society.

With the implementation of the Panchayati Raj in the State, the State Government have delegated in March 1963 the following powers of the Registrar exercisable by the District Registrar and Assistant District Registrar to the District Panchayats in respect of societies whose share capital does not exceed Rs. 2.00 lakhs and whose by-laws conform to the model by-laws.

- (i) registration of co-operative societies
- (ii) approval of amendment to the by-laws of societies
- (iii) appeals arising out of non-admission of members in a co-operative society
- (iv) maintenance of registers of societies
- (v) changes in the name of societies
- (vi) permission to co-operative societies to enter into partnership
- (vii) calling of or extending the period for calling of annual general meetings of societies

- (viii) calling of special general meetings of societies
- (ix) disposal of surplus assets of co-operative societies in the event of their winding up
- (x) directions for giving possession of books and papers of co-operative societies.

Jammu and Kashmir

The powers of the Registrar in regard to registration of societies with State-wide jurisdiction, approval and amendment of by-laws of such societies and hearing of appeals have not been delegated to other officers. The extent of delegation of other important powers that has been effected is as under :

<i>Nature of power</i>	<i>To whom delegated</i>
(i) Registration of societies other than those with jurisdiction beyond a province	Joint Registrars
(ii) Approval and amendment of by-laws of societies (other than those with jurisdiction beyond a Province)	Joint Registrars
(iii) Enquiry and inspection	Joint Registrars and Deputy Registrars
(iv) Levying surcharge	Deputy Registrars
(v) Audit	Deputy Registrars (Audit)
(vi) Supersession of committees	Assistant Registrars
(vii) Arbitration and execution	Assistant Registrars

Kerala

The Deputy Registrars in charge of the districts are vested with only certain powers of the Registrar viz. approval and amendment of by-laws, enquiry and inspection, arbitration and execution, surcharge and audit. Powers in regard to supersession, liquidation and appeals have not been delegated by the Registrar to the district officers.

Madhya Pradesh

The State Government have delegated all the statutory powers vested in the Registrar under the Co-operative Societies Act to the Joint Registrars. Except in regard to hearing of appeals, these powers have, in turn, been delegated to the Deputy Registrars and Assistant Registrars and the powers are allowed to be exercised by them in so far as they relate to the types of co-operative institutions which they are competent to register. The power to register societies delegated to the Assistant Registrar is confined to primary societies of the following types : resource, consumer's, multi-purpose, producer's and industrial. The Deputy Registrar, who is the divisional officer, is allowed to register all other types of societies other than (a) financing bank, (b) state co-operative union, (c) divisional co-operative institutes and (d) societies whose area of operation extends beyond his jurisdiction.

Madras

The Joint Registrars exercise the powers of the Registrar under the Act, subject to the overall control of the Registrar. The power to supersede managing committees, however, has not been delegated to them. The State Government have delegated certain powers of the Registrar to officers at lower levels as under :

<i>Nature of powers</i>	<i>To whom delegated</i>
(i) Registration	Deputy Registrars.
(ii) Approval and amendment of by-laws	Deputy Registrars. In respect of amendment of by-laws of primary agricultural credit societies, the power has been delegated to the Extension Officers (Co-operation) also.
(iii) Levying surcharge on members	Deputy Registrars.
(iv) Enquiry and inspection	Deputy Registrars and Co-operative Sub-Registrars.
(v) Arbitration and execution	—do—
(vi) Audit	Deputy Registrars, Co-operative Sub-Registrars, Senior Inspectors and Junior Inspectors.

While the power to liquidate co-operative societies is vested in the Joint Registrars, the power to attend to the process of liquidation by passing contributory orders etc. is vested in the Deputy Registrars and the Co-operative Sub-Registrars.

Maharashtra

The State Government have conferred all powers of the Registrar under the Maharashtra Co-operative Societies Act and the Rules thereunder to Joint Registrars at Headquarters. The State Government have also conferred on the officers at other levels viz. divisional Joint Registrars, district Deputy Registrars and territorial Assistant Registrars the statutory powers of the Registrar. The powers so conferred are to be exercised by them in accordance with the directions communicated by the Registrar in his circular dated 5 February 1962. According to this circular the Assistant Registrar has been empowered to exercise the powers under the Act and the Rules over societies (other than those registerable by the Registrar, divisional Joint Registrar and district Deputy Registrar) the area of operations of which falls within his territorial jurisdiction (viz. Revenue Taluka or Talukas) or such types of societies as are assigned to him by the district Deputy Registrar and the authorised share capital of which does not exceed Rs. 50,000. The district Deputy Registrar has jurisdiction over societies the area of operations of which falls within his territorial jurisdiction and the authorised share capital of which in each case exceeds Rs. 50,000 but does not exceed Rs. 5 lakhs, except those registerable by the Registrar and the divisional Joint Registrar. He is also empowered to exercise the powers

over societies the area of operations of which extends over the territorial jurisdiction of more than one Assistant Registrar subordinate to him in the same district even though its authorised share capital may not exceed Rs. 50,000. The divisional Joint Registrar has been allowed to exercise the powers over (a) societies, the area of operations of which falls within his territorial jurisdiction and the authorised share capital of which in each case exceeds Rs. 5 lakhs (other than those registerable by the Registrar viz. (i) apex institutions with jurisdiction over the entire State (ii) processing and producers' societies with an authorised share capital exceeding Rs. 20 lakhs and (iii) multi-unit societies), (b) societies, irrespective of their authorised share capital (other than those registerable by the Registrar) the area of operations of which covers more than one division and the headquarters of which is situated within his division and (c) societies irrespective of their authorised share capital, (other than those registerable by the Registrar) the area of operations of which covers more than one district in the same division. In the case of the divisional Joint Registrar as registering authority for societies the area of operations of which covers more than one division and the headquarters of which is situated in his division, the powers over such societies are to be exercised by him in consultation with the other divisional Joint Registrars concerned. The Registrar has also, issued certain administrative instructions to his officers at different levels to regulate their work in regard to the exercise of statutory powers, conferred on them. It is observed that the following powers among others, under the Act have not been conferred on the district Deputy Registrars and territorial Assistant Registrars :

- (i) Power to direct amendment of by-laws
- (ii) Power to direct amalgamation, division and reorganization
- (iii) Approval of banking companies for the purpose of investment of funds of co-operative societies
- (iv) Audit of co-operative societies
- (v) Appointment of a nominee or a board of nominees, for settlement of disputes
- (vi) Confirmation of sale effected by a land development bank
- (vii) Power to hear appeals against orders or decisions passed under different Sections of the Act
- (viii) Power to call for record of any enquiry or proceedings of subordinate officers and to pass orders thereon.

Apart from the above, the territorial Assistant Registrars have not been given the power to supersede the committee of a society, to enforce performance of obligations, to assess damages against delinquent promoters etc. and to sanction the lodging of any prosecution in the case of an offence under the Act.

The Registrar exercises all the statutory powers in respect of the multi-unit societies except in the cases of those whose head offices are situated in Bombay in respect of which the divisional Joint Registrar, Bombay, exercises such powers.

As the Joint Registrars at headquarters are working on a functional basis, they are allowed to exercise their statutory powers according to functional classification of the societies registerable by the Registrar. The cases disposed of by them may be marked for the information of the Registrar unless the Registrar directs otherwise in special cases or unless the Joint Registrars consider that they should be submitted for Registrar's approval before issue on account of considerations of constitutional, administrative or financial policy.

The Deputy Registrars and Assistant Registrars at State headquarters and the divisional Deputy Registrars and Assistant Registrars attached to the offices of the divisional Joint Registrars are not, unless otherwise specifically directed, to exercise any statutory powers under the Act and the Rules.

Mysore

All the powers vested in the Registrar under the Mysore Co-operative Societies Act have been delegated to the Joint Registrars at headquarters. These have recently been conferred on the Joint Registrar in charge of Industrial Co-operatives also. In so far as the power to register societies is concerned, the Government Notification does not place any restrictions. However, the departmental circulars direct that power of registration should be exercised by the officers as indicated below :

- | | |
|--------------------------|---|
| Assistant Registrars ... | <ol style="list-style-type: none"> 1. all types of primary societies mainly dealing in agricultural credit 2. salary earners' societies 3. primary consumers' societies 4. grain banks 5. farming societies |
| Deputy Registrars ... | <ol style="list-style-type: none"> 1. marketing societies, whose jurisdiction does not exceed a taluk 2. housing societies 3. urban societies 4. fishermen's co-operatives 5. taluka development boards 6. taluka multi-purpose societies 7. primary co-operative supervising unions 8. all other types of primary societies whose jurisdiction does not exceed a taluka excepting land mortgage societies or banks and special types of societies like sugar factories and processing societies and lift irrigation societies. |

The power to supersede managing committees of societies and that relating to levy of surcharge on members and liquidation have not been delegated to the Assistant Registrars. The first of these has been delegated to Deputy Registrars, but is to be exercised by them only in so far as they

relate to primary agricultural credit societies and primary industrial societies. The powers relating to enquiry and inspection have been conferred on the Chief Auditor and the Special Auditors. To the Chief Auditor the power relating to levy of surcharge on members has been delegated in addition.

Orissa

The power to register primary agricultural credit societies has been vested in the Assistant Registrar in charge of the district/circle. Registration of all other societies with the exception of those whose area of operations extends to the whole of the State has been delegated to the Deputy Registrar (divisional officer). Supervision and inspection over societies constitute the responsibility of the officer in charge of their development and promotion. The powers relating to enquiry, arbitration and execution have been delegated to the Assistant Registrars in charge of the district/circle, who however in so far as they relate to weavers', marketing and industrial societies are required to exercise them only at the request of the officers in charge of their development and promotion. The powers of supersession of managing committees of societies other than those relating to credit, liquidation and surcharge have been delegated only to divisional Deputy Registrars.

Punjab

The powers of the Registrar in respect of registration, approval and amendment of by-laws, enquiry and inspection, arbitration and execution, audit, liquidation and appeals have been delegated to the Assistant Registrars. The powers relating to supersession of managing committees and levying of surcharge on members have, however, been retained with the Registrar.

Rajasthan

The statutory powers of the Registrar have been delegated to the officers below him at divisional and district levels except in so far as they relate to apex societies and central financing banks. The Assistant Registrars at the district level have been empowered to exercise the powers regarding registration, approval and amendment of by-laws, audit, distribution of profits, enquiry, inspection, arbitration and execution and issue of certificates for recovery of sums due to co-operatives in respect of all primary societies except primary land mortgage banks in their jurisdiction. The powers in regard to supersession of managing committees, liquidation, disposal of surplus assets and levy of surcharge on members are allowed to be exercised by the Deputy Registrar in respect of all primary societies in his jurisdiction.

Uttar Pradesh

The Additional Registrars, the Deputy Registrars and the Assistant Registrars in charge of divisions are vested with all the powers of the Registrar under the Co-operative Societies Act and Rules. The Assistant Registrars in charge of districts have also been vested with certain powers including those relating to arbitration and appeals. There is no provision under the law in the State for levy of surcharge on members.

As audit has been taken away from the administrative control of the Registrar since 1953, the Registrar and his staff do not exercise any powers in respect of audit.

The Cane Commissioner who has full control over cane co-operative societies has been vested with the powers of the Registrar under the Uttar Pradesh Co-operative Societies Act. Similarly, the Director of Industries who exercises control over industrial societies has been vested with the statutory powers of the Registrar.

West Bengal

All the powers vested in the Registrar under the Bengal Co-operative Societies Act, 1940, have been conferred upon the Joint Registrar (General), Deputy Registrars and Assistant Registrars except those specified in the Second Schedule to the Act, viz.

- (i) To register an amendment of a by-law of a co-operative society which is a member of a financing bank, if the financing bank considers such amendment to be necessary or desirable and if the society has failed to make the amendment when called upon by the bank to do so.
- (ii) To approve a change in the form of liability of a co-operative society.
- (iii) To approve the bank, other than a Government Savings Bank, in which the reserve fund of a co-operative society may be invested or deposited.
- (iv) To require of any person who has taken part in the organization or management of a co-operative society or any past or present officer of such society, to contribute to the assets of the society any sum by way of compensation for any payment made, loss incurred or sum not accounted for in consequence of the action of such person or officer, or to restore any property misappropriated or fraudulently retained by such person or officer, and to require such person or officer to pay any sum to meet the costs of proceedings under this section.
- (v) To impose penalties for certain contraventions of the provisions of this Act, the rules or by-laws.
- (vi) To enforce performance of certain obligations by a co-operative society and to require the officer of the society whom the Registrar considers to be responsible for the default, to pay a certain sum to the assets of the society.
- (vii) To give leave and impose terms for the institution of a suit or other legal proceeding against a liquidator, a co-operative society or any member thereof while such society is being wound up.
- (viii) To sanction the institution of any prosecution under this Act.

APPENDIX VIII

ADMINISTRATIVE ARRANGEMENTS IN REGARD TO AUDIT OF CO-OPERATIVE SOCIETIES IN DIFFERENT STATES

Andhra Pradesh

The work relating to audit of co-operative societies is regulated by a Joint Registrar at the State headquarters. This officer is also in charge of co-operative farming. Audit has been separated from administration at the district level and is under the charge of a District Co-operative Audit Officer who is of the gazetted rank. Such posts have been created in each district except one (Viz. Khammam district), where a Co-operative Sub-registrar (non-gazetted) is in charge. The district officers are given Senior Inspectors and Junior Inspectors to work as auditors. The Senior Inspectors are entrusted with the audit of large-sized societies, weavers' societies, industrial societies, and non-credit institutions while the Junior Inspectors are entrusted with the audit of small-sized primary credit societies, poultry farming societies, palm jaggery societies, fishermen co-operatives etc. Big societies like co-operative sugar factories, district co-operative central banks, State co-operative banks and spinning mills avail of the services of Co-operative Sub-Registrars under F.R. 127 terms for getting their accounts audited. Similarly, weavers' societies take Senior Inspectors for the purpose.

The average number of societies entrusted to each Junior Inspector and senior Inspector works out to 60-65 small sized societies and 20-25 large-sized societies as against the accepted standards of 40-45 small-sized and 15-20 large-sized societies. In Institutions with large transactions, there is concurrent audit.

The audit staff and the administrative staff are interchangeable.

Assam

A whole time officer of the rank of a Joint Registrar is in charge of audit. He is assisted by non-gazetted staff of Deputy Co-operative Officers and Assistant Co-operative Officers at the sub-divisional level. At the headquarters he is assisted by one Assistant Registrar who has also other duties to perform. The divisional Deputy Registrars and Sub-Divisional Assistant Registrars are required to watch the progress of audit work and to ensure the execution of audit programme. There is no separate staff for audit of different types of societies. The audit and administrative staff are interchangeable.

The basis for determining audit staff is said to be one Deputy Co-operative Officer for two blocks. The average charge per auditor works out to 68 societies. The system of concurrent audit for institutions with large transactions has not been introduced in the State.

Bihar

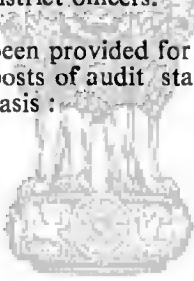
Audit is wholly departmental except for the cane marketing unions

and certain other big urban societies which are audited by Chartered Accountants out of a panel approved by the Registrar. A Chief Auditor of the rank of Joint Registrar working under the Registrar is in overall charge of the audit in the State. He is assisted at the headquarters by a Deputy Chief Auditor. Gazetted posts of District Audit Officers have been created for each of the 17 districts of the State and these officers exercise control over the auditors posted in the districts. A post of a Special Audit Officer has been sanctioned for the audit of the Bihar State Co-operative Bank. The strength of the audit staff is determined by the number of co-operative societies in the State. The norm for the appointment of auditors is 1 Local Auditor for 40 co-operative societies. The administrative staff and audit staff are independent of each other and are even said to be not interchangeable. The system of concurrent audit is reported to have been introduced in the 12 amalgamated central co-operative banks, the State Co-operative Bank and the marketing union.

Gujarat

There is no post of Chief Auditor in the State. The Special Auditors are under the administrative control of the divisional officers. Auditors and Sub-Auditors not attached to offices of Special Auditors are under the administrative control of district officers.

Though no norms have been provided for the appointment of audit staff, the number of different posts of audit staff is stated to be generally worked out on the following basis :



	<i>Minimum charge</i>	<i>Maximum charge</i>
Special Auditors (Gazetted)	45 units	55 units
Auditors	60 „	73 „
Sub-Auditors	70 „	84 „

The special Auditors are in charge of the audit of higher types of societies and other big institutions like central financing agencies and federal organisations. The Auditors and Sub-Auditors are entrusted with the audit of agricultural credit societies and such of the industrial and other societies for which no separate auditors have been sanctioned by the Government.

Separate audit staff has been provided for the continuous and concurrent audit of certain types of societies such as apex institutions, co-operative sugar factories, Kaira District Co-operative Milk Producers' Union and Milk producers societies affiliated to it, forest labourers societies and the Ahmedabad Central Co-operative Bank.

State Industrial Co-operative Association, district industrial co-operative associations and weavers' societies, consumers' stores with A & B class and working capital above Rs. 50,000, urban banks and societies of A & B class with working capital of Rs. 50,000, housing societies not indebted to Government and producers' societies sponsored by Khadi and Village Industries Board are audited by certified auditors.

As regards the relationship between the audit and administrative staff, it is stated that the tour programmes and the diaries of the audit staff are to be submitted to the administrative officers under whose control they work. The audit memos issued by the audit staff are subject to review by the administrative officers. The rectification reports of the societies are submitted by the audit staff with their observations to the administrative officers for verification during the inspection of the societies. Further, when the auditors detect any serious irregularities i.e. misappropriation or misapplication of funds, they are expected to submit a special report to the administrative officer for action. In addition to the audit work, the audit staff are required to attend to the compilation of the annual returns of co-operative societies.

Although the audit and administrative personnel are at present interchangeable, the State Government are reported to have agreed in principle that audit cadre should be separated from the administrative cadre. The Government have appointed a Committee for the allocation of personnel to the audit cadre and it is expected that the separation of the two cadres will be brought about shortly.

Kerala

The Joint Registrar (Audit) at the headquarters is vested with all the powers of the Registrar in regard to audit and is functioning as the Chief Auditor.

The three audit zones into which the State has been divided are further split up into audit circles each under an auditor. The appointment of auditors is done on a territorial basis and an auditor has to audit all types of societies in his jurisdiction.

The strength of the audit staff is determined on the basis of the number and volume of transactions of the societies in each circle.

Special departmental auditors are appointed to conduct the concurrent audit of co-operative institutions having working capital or annual turnover exceeding Rs. 2 lakhs. These auditors are allotted to one or a group of such societies and their expenditure is borne by the concerned societies.

The present sanctioned strength of audit staff is inadequate and the department's proposals for the appointment of additional staff are under consideration of the Government. The Department has, in making these proposals, suggested a charge of 20-25 societies for each auditor.

The audit staff is not entrusted with non-audit functions. The follow-up action in regard to rectification of defects pointed out in the audit report is the duty of the administrative staff in the districts. Audit and administrative staff in the State are interchangeable.

Madhya Pradesh

The audit work of the Co-operative Department is regulated by a Joint Registrar who has two chief auditors of the grade of Inspectors to

assist him. Posts of audit officers (non-gazetted) and sub-auditors have been created and are attached to the district offices. In districts where the number of societies is 500 and above, an audit officer is posted. An additional post is created when the number of societies reaches 1,000. Audit officers function under the control of the Assistant Registrars. In districts where such officers have not been posted the Assistant Registrar attends to audit work himself. Besides, three posts of audit officers have been created for the audit of the three apex institutions (apex bank, apex weavers' society and the apex marketing society) each of whom is assisted by two sub-auditors and one lower division clerk. A sub-auditor is generally in charge of 40 active societies or of 80 societies which are defunct or under liquidation. The audit staff are not entrusted with work other than audit. The audit of some of the institutions with large turnover (e.g. mill workers' societies, housing societies, etc.) is also entrusted to chartered accountants with the special permission of the Registrar.

Concurrent audit has not been introduced except in central banks and land mortgage banks. Such audit is also conducted in the marketing and processing societies set up under the plan schemes. The Department has proposed to introduce it in the three apex institutions from the year 1963-64.

The Assistant Registrar and the Audit officer attached to him are empowered to issue audit notes of societies which the former can register. The audit notes of other societies except those relating to apex institutions are issued by the divisional officers.

The audit and administrative staff are stated to be interchangeable.

Madras

Audit is the statutory responsibility of the Registrar and this responsibility is carried out through a Chief Audit Officer working under his control. An Assistant Accounts Officer from the office of the Accountant General has been appointed as the Chief Audit Officer. He is empowered to exercise the powers of the Registrar under Section 37 of the Madras Co-operative societies Act. The Deputy Chief Audit Officer functioning under him attends to work relating to audit of large processing co-operative societies and such other specific items of work as are assigned to him by the Chief Audit Officer or the Registrar. At the district level, the work of auditors is supervised and regulated by the District Co-operative Audit Officer (gazetted) by means of periodical reviews, surprise visits, test audit etc. The work of District Co-operative Audit Officers is in turn supervised by the Chief Audit Officer by means of periodical reviews, inspection of offices of the District Co-operative Audit Officers and test audit of societies.

It is stated that all small-sized agricultural credit societies with unlimited liability and small non-agricultural credit societies like milk, stores and weavers' societies are audited by Junior Inspectors while bigger primary societies and special types of societies such as rural banks and industrial co-operatives are audited by Senior Inspectors. The state level institutions, district level institutions and large industrial societies like sugar factories and spinning mills are audited by Co-operative Sub-Registrars. The audit certificates in respect of these institutions and the societies

which have Deputy Registrars as General Managers, Secretaries, etc. are issued by the Chief Audit Officer. The audit certificates of agricultural credit societies are issued by Co-operative Sub-Registrar-Auditors while those in respect of other societies are issued by the District Co-operative Audit Officer.

The number of societies allotted to an auditor depends on the types of societies he is expected to audit. The charge ranges from 10 to 45 societies. The following is the basis on which Government sanction audit staff under regular cadre :

<i>Type of societies</i>	<i>No. of societies per auditor</i>	<i>Category of staff</i>
1. Agricultural credit societies :		
(i) Village credit societies		
(ii) Fishermen co-operative societies	40	Junior Inspector
(iii) Other credit societies (Limited)		
2. Non-agricultural credit societies :		
(i) Urban banks		
(ii) Employees societies	30	Senior Inspector
(iii) Land mortgage banks		
3. Production and sale societies :		
(i) Weavers' societies		75% by Senior
(ii) Milk supply societies	20	Inspectors and
(iii) Marketing societies		25% by Junior Inspectors
4. Primary consumers stores societies :	20	—do—
5. Special types of societies :		
(i) Farming societies		
(ii) Housing societies		
(iii) House mortgage banks	20	Senior Inspector
(iv) Supervising unions		
(v) Miscellaneous		
6. Rural and agricultural banks	10	—do—
7. Credit unions	15	—do—

8. Industrial co-operative societies (other than weavers' societies)	15	Senior Inspector
9. Jaggery manufacturing societies	30	—do—
10. Liquidated societies	45	Junior Inspector

Large institutions like apex institutions, central banks, district marketing societies, spinning mills, sugar factories etc. which are in a position to employ auditors exclusively for their own audit get the audit staff sanctioned under F.R. 127 terms. In some cases a group of societies get auditors appointed under F. R. 127 terms.

In the State, audit has been separated from administration. But the audit staff and administrative staff are interchangeable. The auditors furnish the summaries of defects with final audit reports and special reports, if any, about serious irregularities or frauds detected in the course of audit. The administrative staff are expected to take remedial measures on receipt of such reports.

Maharashtra

The Registrar is assisted at the headquarters by a Joint Registrar (Audit) and Financial Adviser, who exercises overall control on the entire staff including the special audit staff appointed for audit of certain types of societies. The Joint Registrar is assisted by a Special Auditor (Gazetted, Class I) at State headquarters. The divisional officers are also required to see that due arrangements are made for completion of audit before the close of the year. Divisional Special Auditors (Class I—gazetted) have also been appointed in the four Divisions for controlling the work of the audit staff in the divisions. These officers and the entire audit staff under them function under the control of the divisional officers (Joint Registrars).

Special Auditors (Class I) are in charge of audit of apex and divisional institutions and co-operative sugar factories. Special Auditors (Class II) are entrusted with the audit of central financing agencies, marketing and processing societies, urban banks and societies having a working capital of more than Rs. 50,000, housing societies indebted to Government and other federal societies. District Auditors (non-gazetted) are in charge of bigger agricultural and multipurpose and all agricultural non-credit and non-agricultural credit and non-credit societies which are not in charge of Special Auditors. Consumers' and producers' societies and all types of industrial societies are also audited by the District Auditors. Sub-Auditors normally audit smaller agricultural credit and other multipurpose societies, grain depots etc. Housing societies and other societies which have very few transactions are also audited by Sub-Auditors. For the purpose of determining the quantum of audit output, every society is treated as one audit unit and if the society has a branch or sale depot or is conducting a fair price shop or distribution centre, the branch depot or shop is treated as a separate unit. This method of reckoning the workload on the auditors has, however, been considered as requiring revision. The State Government appointed in January last year a Committee to review the formula of the quantum of work to be turned out by the audit staff and to suggest the pattern of the audit staff of the Department. This Committee submitted its report in November 1962 which is being considered by the Government.

The Committee has observed that for purpose of determining the size of an audit unit, only two broad factors viz. "working capital" and "turnover" which can be easily ascertained have to be taken into account. The Committee has recommended for adoption the following formula in place of the existing formula.

Auditors

A society with a working capital or turnover less than Rs. 50,000 should be counted as	$\frac{1}{2}$ unit
A society with a working capital or turnover from Rs. 50,000 upto Rs. 1 lakh	1 unit
A society with a working capital or turnover above Rs. 1 lakh and upto Rs. 2 lakhs	$1\frac{1}{2}$ units
A society with a working capital or turnover above Rs. 2 lakhs upto Rs. $3\frac{1}{2}$ lakhs	2 units
A society with a working capital or turnover above Rs. $3\frac{1}{2}$ lakhs	3 units

Sub-Auditors

A society with a working capital or turnover less than Rs. 5,000 should be counted as	$\frac{1}{2}$ unit
A society with a working capital or turnover from Rs. 5,000 upto Rs. 15,000	$\frac{1}{2}$ unit
A society with a working capital or turnover above Rs. 15,000 and upto Rs. 50,000	1 unit
A society with a working capital or turnover above Rs. 50,000	$1\frac{1}{2}$ units

Marginal increase upto 5 per cent, in working capital or turnover shall be ignored for purposes of calculation.

The Committee has recommended that the workload of auditors should be reduced and fixed as under :

<i>Category</i>	<i>Audit units to be completed during a year</i>
Special Auditor	10 audit units in case of Special Auditors in charge of District Central Co-operative Banks
Special Auditors	25 audit units in case of other Special Auditors

<i>Category</i>	<i>Audit units to be completed during a year</i>
Auditors	40 audit units
Sub-Auditors	50 audit units

The Sub-Auditors, after appointment, are given six months field training before they are allowed to audit the accounts of societies in their charge.

Outside professional auditors possessing certain qualifications are also authorized to carry out audit of certain types of societies or class of societies. A panel of certified auditors is prepared by the Registrar and published in the Gazette. Such a panel is also prepared by the divisional Joint Registrars in their respective divisions. During the year 1961-62, 2,045 societies (out of a total of 31,565) were allotted for audit by certified auditors.

The present rules provide for transfer of audit staff for a fixed tenure to administrative side. The Co-operative Department is, however, contemplating in the direction of making the audit and administrative staff non-interchangeable.

Mysore

The Registrar is assisted at the headquarters by a Chief Auditor of the status of the divisional officer (Deputy Registrar). The responsibility for audit of all types of co-operatives including those over whom administrative control vests in the Industries and Fisheries Departments has been placed on the Co-operative Department. The Chief Auditor supervises the audit work and exercises administrative control over the audit staff. At the Divisional level, the divisional officer is required to supervise the audit work in the division for which he is given the assistance of a Senior Auditor.

At the district level, there is a Special Auditor of the status of the circle officer (Assistant Registrar) in eight districts and in the remaining eleven districts a District Auditor (non-gazetted). The co-operative sugar factories in the State are audited by special Auditors of the Department deputed under rule 441 of the Mysore Co-operative Societies Rules under which their cost is recovered from the institutions concerned. These auditors carry out concurrent and final audit of the sugar factories. Similarly some apex institutions, district central banks and a few groups of bigger types of societies get their accounts audited by staff posted under Rule 441. There are at present 28 auditors attached to the institutions under that rule. All the audit staff in the district viz., Senior Auditors, Junior Auditors, are under the Administrative control of the Special Auditor or the District Auditor as the case may be. On an average there is one Junior Auditor in each taluk and one Senior Auditor for every two taluks in the State. Generally, the Junior Auditors are entrusted with the audit of small primary agricultural credit societies, service societies and such other small societies. The Senior Auditors are entrusted with the audit of bigger institutions like the taluk agricultural marketing societies, urban banks, farming societies, consumers' societies, weavers' and other industrial societies, land mortgage societies and housing societies. The Special and District Auditors are entrusted with the audit of major institutions like apex and central societies, big urban banks, central banks, processing societies, consumers' societies and the like. These Officers are

held responsible for the timely completion of audit of all societies in the districts, for the levy and recovery of audit fees and for all other matters relating to audit and rectification of audit defects.

As the existing strength of staff was found very inadequate to cope with the work, the Co-operative Department had moved the State Government for the creation of certain additional posts. In June 1963 the Government issued an order accepting with certain modifications the proposal of the Registrar and according sanction for the creation of the additional posts at various levels. Among the more important posts thus sanctioned are the post of one Joint Registrar (Audit) and one gazetted officer (Class II) to assist the Joint Registrar at the headquarters. The Government have also sanctioned special staff for the audit of Khadi & Village Industries Societies and Industrial Co-operative Societies.

With the staff that have been sanctioned it is considered that each auditor will be entrusted with not more than 15 to 20 societies for audit and can be expected to complete audit of all societies by December every year and take up concurrent audit from January.

The audit and administrative staff are at present interchangeable.

Orissa

Audit of co-operative societies was separated from administration in 1959-60 and placed under the overall charge of a Chief Audit Officer who however, functions under the control of the Registrar. A post of Additional Chief Audit Officer-cum Financial Adviser (recently converted into Audit Officer, Headquarters) was created in 1960-61 and an officer of the Senior Financial Service was appointed to this post. This officer is required to look after misappropriation cases in societies. The state has been divided into 6 audit circles each of which is headed by an Audit Officer of the rank and status of the Assistant Registrar. Certain powers under the Co-operative Societies Act and the Rules have been delegated to the Chief Audit Officer and the Audit Officers.

No separate staff is maintained for audit of different types of societies. The work, however, is regulated among the Sub-Assistant Registrars, Senior Inspectors and Junior Inspectors according to the nature of transactions of the societies to be audited and the proficiency attained by the staff in the audit of particular types of societies. The Audit Officers are responsible for audit of all the central co-operative banks and other categories of societies, except apex institutions, in their area. They also take up test audit of some of the societies. The Chief Audit Officer is responsible for the audit of all apex institutions in the State. Concurrent audit has not so far been introduced in the State.

Punjab

Before the Punjab Co-operative Societies Act 1961 came into force, the audit of co-operative societies was under the charge of a Chief Auditor, who was independent of the Registrar. However, after the passing of the above Act, the Registrar is in overall charge of audit of co-operative societies. He is assisted by a Chief Auditor who is the head of the audit set-up. The Chief Auditor is assisted by three Audit Officers (Gazetted Class

II) functioning at divisional level in close collaboration with the divisional officers.

There is no separate staff for audit of different types of societies. However, the societies have been classified as large, medium and small for the purpose of audit. The small societies, i.e. roughly societies with a working capital of less than Rs. 1 lakh are audited by Sub-Inspectors. The audit of all the other societies with the exception of central banks, apex institutions, sugar mills and any other societies with complicated nature of accounts, is entrusted to the Inspectors. Besides, the Inspectors have to supervise and control the work of the Sub-Inspectors and attend to the issue of objection memos etc.

The norm for the appointment of the audit staff is stated to be as under :

<i>Category</i>	<i>Basis for appointment</i>
Sub-Inspector	55 societies
Inspectors	50 societies
Senior Auditors	Workload involved in each case

In certain divisions where the strength of Inspectors (Audit) is wholly inadequate, the Sub-Inspectors (Audit) are supervised and controlled by the administrative staff. When need arises, the administrative staff are also entrusted with audit. This arrangement is due to the inadequacy of audit staff. Similarly, except in one division i.e. Patiala where the entire set-up is under a separate Assistant Registrar (Audit), the control at district level in respect of audit staff vests with the district officers. It is, however, stated that this is a temporary feature and that as and when efforts for building up a self contained organization succeed this position would be set right and the wholesome principle of separation of audit from administration would be attained.

The Senior Auditors function directly under the Chief Auditor.

Concurrent audit is in vogue in co-operative sugar mills which have gone into production.

The audit and administrative staff are not interchangeable. The audit staff have their own line of promotion from Sub-Inspector (Audit) to Audit Officer.

Rajasthan

The Registrar is assisted at the headquarters by a Chief Auditor (of the status of the divisional officer) who supervises the audit work and exercises administrative control over the audit staff consisting of Special Auditors, Co-operative Inspectors, Grade I and II. The present Chief Auditor is a Chartered Accountant. The newly recruited Inspectors are given training under a Senior Inspector (Audit) for a period of one month. They are made to watch about 10-12 audits of societies. The audit staff is not generally used for non-audit work. It is stated that the inspectors selected for audit work are not posted for administrative work and *vice versa*.

At the divisional and district levels, the Deputy Registrar and Assis-

tant Registrar are responsible for audit, who are assisted by a Special Auditor and Audit Assistant respectively. In view of the increasing administrative duties of the divisional and district officers, the question that has been engaging the attention of the Co-operative Department for some time past is whether audit should not be separated from administration and separate officers posted in the districts for carrying out the audit duties.

The staff for audit at the lowest level is determined on the basis of 40-45 societies per Co-operative Inspector. Separate staff have been provided for audit of industrial societies at the rate of one for 40 societies.

Concurrent audit has not been introduced in the State so far. Recently eight posts of Co-operative Inspectors have been sanctioned for carrying out concurrent audit of consumers stores for the year 1963-64.

Uttar Pradesh

Unlike other States, audit has been separated from the Registrar and entrusted to the Chief Audit Officer, Co-operatives and Panchayats, functioning under the control of the Finance Department. All the powers of the Registrar under the Co-operative Societies Act and the Rules are vested in him. This officer is responsible for audit of all co-operative institutions other than cane and industrial co-operatives in the State. He exercises both administrative and supervisory control over the audit staff. The State has been divided into nine zones, each of which is under the charge of a Regional Audit Officer. In each district there is a District Senior Auditor who is responsible for audit of all co-operative institutions falling under his jurisdiction.

So far, no definite norms have been laid down for fixing the charge per auditor. But it is stated that efforts are being made to provide audit staff in districts so as to ensure that audit of different types of societies in the district is completed within the co-operative year, priority being given to central and special types of societies. A proposal to provide one auditor for each Community Development Block and to maintain a special staff of auditors at the district headquarters for the apex and special types of societies is stated to be under consideration.

The Audit and administrative staff are not interchangeable.

West Bengal

The Registrar is assisted by a Chief Auditor who has to supervise the work of audit staff comprising District Auditors and Auditors. A District Auditor is posted to each Assistant Registrar range. Normally auditors are entrusted with the audit of primary societies. Administrative Inspectors also audit comparatively larger societies. As auditors are also drawn upon to do administrative work (e.g. compilation of annual statistics, collection of dues etc.) timely completion of audit is found difficult. As the strength of audit staff is not considered adequate, audit of some societies is entrusted to professional auditors (including retired departmental officials) from a panel approved by the Registrar. At present the average charge of one auditor is 60 societies.

Running audit is taken up in credit institutions which have a working capital of Rs. 50,000 and in sale societies which have recorded an annual sale exceeding Rs. 50,000.

Audit has not been separated from administration and both the staff work under the control of the Assistant Registrar in the range.